The astrologer and his calculated forecasts for the years ahead
remain an important aspect of life in Sri Lanka.

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Financial Information

Financial Calendar

Interim Financial Statements

Three months ended 30th June 2013 – 08th August 2013
Six months ended 30th September 2013 – 24th October 2013
Nine months ended 31st December 2013 – 03rd February 2014
Twelve months ended 31st March 2014 – 23rd May 2014

Dividends

Final dividend for 2013/2014 – 13th June 2014

Annual Report – Financial year ended 31st March 2014 – 4th June 2014
69th Annual General Meeting – 27th June 2014

Annual Report of the Board of Directors

The Directors have pleasure in presenting the Annual Report for the year ended 31st March 2014 which covers business strategy, value creation report, Audited Financial Statements, share-related information, and reviews on risk management, governance and sustainability. Disclosures required by the Companies Act No. 07 of 2007' appearing on page 91 form part of this Annual Report of the Board of Directors.

Group Structure and Nature of Operations

The Group structure and names of the Directors of subsidiaries are available in page 21.

A brief description of nature of the principal business activities of the Group and the Company is given in Note 2.3 to the Financial Statements on page 120. There was no significant change in the nature of business of the Company or its subsidiaries during the year that may have a significant impact on the state of the Company's affairs.

Vision, Mission and Corporate Conduct

The Company's vision and mission are available on page 5. They have been identified as "Aspiration" and "Purpose" respectively. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving the vision and mission. All employees are given a copy of code of business ethics of the Company and employees are required to adhere to it.

Review of Business Performance

Review of business performance and future outlook of the group is available in the Chairman's Letter (pages 14 to 17), Chief Executive Officer's Review (pages 18 to 20) and the value creation report (pages 32 to 79).

Turnover

The total gross turnover generated by the five business segments of the Group was Rs 20.9 bn.

Directorate

As at 31st March 2014, the Board of Directors of the Company consisted of ten members. The information on Directors, of the Company is available in the Directors profile in pages 24 to 27.

New Appointments, Resignations and Re-elections to the Board

There were no new appointments made to the Board, during the financial year ended 31st March 2014.

Mr. T.G.H. Peries retired from the board of Directors w.e.f. 28th June 2013.

Mr. S.C Algama, Mr. A.N Algama and Dr. H. Cabral retire by rotation and are eligible for re-election,

The agenda for the Annual General Meeting includes an ordinary resolution to be taken up to appoint Mr. R. Seevaratnam as a Director, who has reached the age of 70.

Board and Board Committee Meetings

The number of Board meetings, Audit Committee meetings, Nomination Committee meetings and Remuneration Committee meetings held during the year and the attendance of Directors at these meetings are given on page 94 of Enterprise Governance Report.

Directors Shareholdings

Shareholdings of Directors and their spouses are given on page 162 under 'Share Information".

Dr. H Cabral, Mr. B.C.S.A.P. Gooneratne, Prof. U.P. Liyanage, Mr. R. Seevaratnam and Mr. R.C. Weerawardane who are Directors of the Company did not hold any shares of the Company as at 31st March 2014.

Director's Interest Register

The Interest Register is maintained by the Company, as per the Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the aforesaid Companies Act.

During the year, entries were made in the Interest Register on Directors' interests in contracts, remuneration paid to the Directors, renewal of Directors' and Officers' Liability Insurance. The Interest Register is available for inspection as required under the Companies Act.

Director's remuneration is given in Note 4.5 to the Financial Statements.

Annual Report of the Board of Directors

Accounting Policies

The financial statements, significant accounting policies and the notes thereto of the Group and the Company (refer pages 114 to 157), comply with the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007.

These Financial Statements and notes thereto give a true and fair view of the Company's and the Group's financial position as at 31st March 2014 and of their performance for the year ended on that date. There were no changes to the accounting policies used by the Group during the year.

Independent Auditors Appointment and Remuneration

The Company's External Auditors, Messrs KPMG, who were reappointed in accordance with a resolution passed at the last Annual General Meeting, have expressed their opinion which appears on page 169 of this Annual Report.

The details of their remuneration are given in Note 4.5 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship with the Company, or any of its subsidiaries. The Auditors do not have any interest in contracts with the Company, or any of its subsidiaries.

Internal Control System and Risk Management

The Board considers that strong internal controls are integral to sound management of the Company and is committed to maintaining financial, operational and risk management controls over all its activities. The Group Management Committee has put in place an effective and comprehensive system of internal controls.

The Enterprise Risk Management report is available on pages 95 to 101.

The Board is satisfied with the effectiveness of the system of internal controls that were in place during the year under review and up to the date of approval of the Annual Report and Financial Statements.

Share Information

Information relating to distribution of shareholdings, market value and top twenty shareholders are available on the pages 160 to 162 under "Share Information".

Donations

The Group and the Company made donations during the year amounting to Rs. 13.2 mn and Rs. 5.9 mn respectively (2012/13 - Group: Rs. 14.8 mn, Company - Rs. 14.1 mn)

Property Plant and Equipment and Intangible Assets

The Group and the Company incurred Rs. 1,393.5 mn and Rs. 1433 mn (2012/13 - Group Rs. 1,094.4 mn, Company Rs. 1078.2 mn) on property plant and equipment and Rs. 40.3 mn (2012/13 Rs. Nil) by the Company on intangible assets, details of which are available in notes 4.9 and 4.11 to the Financial Statements.

Market Value of Freehold Land

A qualified independent valuer carried out a revaluation of the Company's freehold land on 30th September 2011 and the carrying value of freehold land is adjusted accordingly. The details of market value of freehold land are given in note 4.9 to the Financial Statements.

Stated Capital

There were no shares Issues during the financial year.

Dividends and Reserves

Detail information on dividends and reserves are available in note 4.8 and 4.20 to the Financial Statements respectively.

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments to the government, other regulatory bodies and related to the employees have been made on time.

Environmental Protection

Policies and Endeavours made on environmental preservation by the Group and the Company are available in pages 60 to 65 of the Stakeholder Report.

Events after the Reporting Date

There were no material event that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in the note 5.4 to the Financial Statements in pages 157.

Going Concern

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company as a going concern concept.

Compliance with laws and regulations

To the best of knowledge and belief of the Directors, the Group/Company has not engaged in any activity, which contravenes laws and regulations of the country.

Annual General Meeting

The Annual General meeting will be held at the Registered Office of the Company, No. 65, Jetawana Road, Colombo 14 on 27th June 2014. The notice of Annual General Meeting is given on page 169.

By order of the Board of Directors,

A.R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Director/Chief Executive Officer

B.C.S.A.P. Gooneratne
Director

Colombo
23rd May 2014

Statement of Directors' Responsibilities for Financial Statements

The Companies Act No. 7 of 2007 require the Directors to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and the profit or loss of the Company and the Group for the financial year.

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in following statement. As per the provision of the Companies Act No. 07 of 2007, the Directors are required to prepare for each financial year and place before general meeting of shareholders the Financial Statements, which comprise;

1. Income Statement and Statement of Comprehensive Income, which presents a true and fair view of the profit or loss of the Group/ Company for the financial year; and
2. Statement of Financial Position, which presents true and fair view of the state of affairs of the Group/ Company as at the end of the financial year and which complies with the requirements of the Companies Act No.07 of 2007.

In addition, the Directors have to ensure that Financial Statements present fairly for each financial year the Group's/Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the 'Framework for the preparation and presentation of Financial Statements' set out in the Sri Lanka Accounting Standards. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable Sri Lanka Accounting Standards.

Directors also have to ensure that;

- Appropriate Accounting Policies have been used in a consistent manner;
- Where necessary, prudent judgment and estimates have been made;
- Requirements of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 have been followed;
- Listing rules of the Colombo Stock Exchange are complied with.

The Directors are responsible for ensuring that the companies within the Group keep sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the Group, and to ensure that the Financial Statements presented comply with the requirements of the Companies Act No.07 of 2007.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented.

The Directors are required to provide the Auditors with every opportunity to take whatever steps necessary to enable them to form their audit opinion.

The responsibility of the Auditors in relation to the financial Statements appears in the Report of the Auditors on page 113.

Messrs KPMG, Chartered Accountants the Auditors of the Company has examined the Financial Statements and the related records and information. Their opinion on Financial Statements is given on page 113.

The Directors are also responsible for taking reasonable measures to safeguard the assets of the Group/ Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities. The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2014 and the bank facilities, consider that the Group/Company has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing Financial Statements.

By Order of the Board,

B.C.S.A.P.Gooneratne
Director

Colombo
23rd May 2014

Independent Auditors' Report

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF DIESEL & MOTOR ENGINEERING PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Diesel & Motor Engineering PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2014, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 114 to 157 of this annual report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 March 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS

Colombo
23rd May 2014

SECTION 1 - Financial Statements

Section 1 provides the key Financial Statements relating to financial performance, position and cash flows of the Group and the Company, which comprises the following.

Income Statement and Statement of Comprehensive Income: Financial performance

Statement of Financial Position: Financial position

Statement of Changes in Equity: Summary of comprehensive income and transactions with owners

Statement of Cash Flow: Cash flows

Notes to the Financial Statements: Comprising general (Section 3) and specific (Section 4) accounting policies, estimates and other disclosures (Section - 5).

Income Statement and Statement of Comprehensive Income

Income Statement

For the year ended 31st March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000	Change %	Company 2014 Rs. '000	Company 2013 Rs. '000	Change %
Revenue	4.1	20,884,674	27,711,604	(25)	19,185,246	26,496,949	(28)
Sales taxes		(201,513)	(227,451)	(11)	(180,872)	(216,789)	(17)
Net revenue		20,683,161	27,484,153	(25)	19,004,374	26,280,160	(28)
Cost of sales		(16,366,248)	(23,303,126)	(30)	(15,226,149)	(22,519,305)	(32)
Gross profit		4,316,913	4,181,027	3	3,778,225	3,760,855	0
Other operating income	4.3	69,419	35,903	93	69,722	35,427	97
Distribution expenses		(549,392)	(487,981)	13	(506,403)	(475,939)	6
Administrative expenses		(2,962,384)	(2,843,448)	4	(2,658,182)	(2,599,142)	2
Results from operating activities		874,556	885,501	(1)	683,362	721,201	(5)
Finance income		75,511	240,761	(69)	70,617	241,178	(71)
Finance cost		(437,209)	(636,241)	(31)	(423,990)	(630,798)	(33)
Net finance cost	4.4	(361,698)	(395,480)	(9)	(353,373)	(389,620)	(9)
Profit before tax	4.5	512,858	490,021	5	329,989	331,581	(0)
Income tax (expense)/reversal	4.6	(119,317)	(35,934)	232	(50,070)	13,314	476
Profit for the year		393,541	454,087	(13)	279,919	344,895	(19)
Basic and diluted earnings per share - (Rs.)	4.7	44.34	51.16		31.54	38.86	

Statement of Comprehensive Income

For the year ended 31st March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000	Change %	Company 2014 Rs. '000	Company 2013 Rs. '000	Change %
Profit for the year		393,541	454,087	(13)	279,919	344,895	(19)
Other comprehensive income							
Actuarial loss arising from employee benefit	4.22	(25,272)	(28,796)	(12)	(23,347)	(24,748)	(6)
Net changes in fair value of financial assets available-for-sale		(255)	1,300	(120)	(253)	1,304	(119)
Tax on other comprehensive income	4.6.2	7,076	8,063	(12)	6,537	6,929	(6)
Total other comprehensive income net of tax		(18,451)	(19,433)	(5)	(17,063)	(16,515)	3
Total comprehensive income for the year		375,090	434,654	(14)	262,856	328,380	(20)

Figures in brackets indicate deductions.

The Notes to the Financial Statements from pages 120 to 157 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Assets					
Non - Current Assets					
Property, plant & equipment	4.9	6,746,756	5,567,369	6,750,935	5,523,513
Lease rentals paid in advance	4.10	28,936	31,141	28,936	31,141
Intangible assets	4.11	35,723	2,136	35,723	2,136
Investment in subsidiaries	4.12	-	-	20,645	11,145
Financial assets available-for-sale	4.14	4,823	5,077	4,801	5,054
Deferred tax assets	4.23	121,172	111,082	115,756	107,280
Total non - current assets		6,937,410	5,716,805	6,956,796	5,680,269
Current Assets					
Inventories	4.15	4,867,641	4,141,906	4,755,944	4,055,558
Trade & other receivables	4.16	2,742,873	2,086,115	2,099,995	1,654,001
Other current assets	4.17	421,086	206,394	391,852	178,086
Current tax asset	4.28	86,856	67,081	107,913	102,176
Amount due from subsidiaries	4.29.1	-	-	56,468	-
Cash and cash equivalents	4.18	1,038,788	682,078	1,033,806	615,156
Total current assets		9,157,244	7,183,574	8,445,978	6,604,977
Total assets		16,094,654	12,900,379	15,402,774	12,285,246
Equity and Liabilities					
Equity					
Stated capital	4.19	425,297	425,297	425,297	425,297
Capital reserve		2,014,752	2,014,752	2,014,752	2,014,752
Revenue reserves	4.20	5,477,444	5,191,118	4,875,315	4,701,223
Total equity attributable to the equity holders of the Company		7,917,493	7,631,167	7,315,364	7,141,272
Non-Current Liabilities					
Long-term borrowings	4.21	1,499,763	540,243	1,499,763	540,243
Employee benefits	4.22	349,642	287,046	332,521	273,471
Deferred tax liabilities	4.23	151,079	96,724	144,688	92,679
Deferred income	4.24	91,018	140,312	57,691	77,311
Total non-current liabilities		2,091,502	1,064,325	2,034,663	983,704
Current Liabilities					
Trade payables	4.26	1,208,337	843,044	1,129,614	792,718
Other current liabilities	4.27	426,959	484,286	400,473	462,254
Current portion of long-term borrowings	4.21	333,080	229,960	333,080	229,960
Short-term borrowings	4.21.2	4,117,283	2,647,597	3,964,245	2,518,226
Amounts due to subsidiaries	4.29.1	-	-	225,335	157,112
Total current liabilities		6,085,659	4,204,887	6,052,747	4,160,270
Total liabilities		8,177,161	5,269,212	8,087,410	5,143,974
Total equity and liabilities		16,094,654	12,900,379	15,402,774	12,285,246
Net assets per share		891.97	859.71	824.13	804.63

It is certified that the Financial Statements as set out on pages 114 to 157 have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007.

E.D.C. Kodituwakku
General Manager - Finance & Controlling
Member - Group Management Committee

The Directors are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board,

A.R. Pandithage
Chairman/Managing Director

B.C.S.A.P. Gooneratne
Director/Chief Financial Officer

23rd May 2014
Colombo

Figures in brackets indicate deductions.

The Notes to the Financial Statements from pages 120 to 157 form an integral part of these Financial Statements.

Statement of Changes in Equity

	Note	Stated Capital Rs.'000	Capital Reserve Rs.'000	Revenue Reserves General Reserve Rs.'000	Revenue Reserves Available-for -Sale Reserve Rs.'000	Revenue Reserves Retained Earnings Rs.'000	Total Rs.'000
Group							
Balances as at 01st April 2012		425,297	2,014,752	2,317,290	2,678	2,680,598	7,440,615
Total comprehensive income							
Profit for the year		-	-	-	-	454,087	454,087
Other comprehensive income		-	-	-	1,300	(20,733)	(19,433)
Total comprehensive income		-	-	-	1,300	433,354	434,654
Transaction with owners, recorded directly in equity - contributions and distributions							
Dividends to equity owners							
2011/12 Final - Dividend		-	-	-	-	(244,102)	(244,102)
Transfer during the year		-	-	1,500,000	-	(1,500,000)	-
Total transactions with owners		-	-	1,500,000	-	(1,744,102)	(244,102)
Balance as at 31st March 2013		425,297	2,014,752	3,817,290	3,978	1,369,850	7,631,167
Total comprehensive income							
Profit for the year		-	-	-	-	393,541	393,541
Other comprehensive income		-	-	-	(255)	(18,196)	(18,451)
Total comprehensive income		-	-	-	(255)	375,345	375,090
Transaction with owners,recorded directly in equity - contributions and distributions							
Dividends to equity owners							
2012/13 Final - Dividend	4.8	-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	300,000	-	(300,000)	-
Total transactions with owners		-	-	300,000	-	(388,764)	(88,764)
Balance as at 31st March 2014		425,297	2,014,752	4,117,290	3,723	1,356,431	7,917,493
Company							
Balances as at 01st April 2012		425,297	2,014,752	2,179,464	2,658	2,434,823	7,056,994
Total comprehensive income							
Profit for the year		-	-	-	-	344,895	344,895
Other comprehensive income		-	-	-	1,304	(17,819)	(16,515)
Total comprehensive income		-	-	-	1,304	327,076	328,380
Transaction with owners,recorded directly in equity - contributions and distributions							
Dividends to equity owners							
2011/12 Final -Cash dividend		-	-	-	-	(244,102)	(244,102)
Transfer during the year		-	-	1,500,000	-	(1,500,000)	-
Total transactions with owners		-	-	1,500,000	-	(1,744,102)	(244,102)
Balance as at 31st March 2013		425,297	2,014,752	3,679,464	3,962	1,017,797	7,141,272
Total comprehensive income							
Profit for the year		-	-	-	-	279,919	279,919
Other comprehensive income		-	-	-	(253)	(16,810)	(17,063)
Total comprehensive income		-	-	-	(253)	263,109	262,856
Transaction with owners,recorded directly in equity - contributions and distributions							
Dividends to shareholders							
2012/13 Final - Cash Dividend	4.8	-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	225,000	-	(225,000)	-
Total transactions with owners		-	-	225,000	-	(313,764)	(88,764)
Balance as at 31st March 2014		425,297	2,014,752	3,904,464	3,709	967,142	7,315,364

The General reserve and Retained earnings represent reserves available for distribution.

Available-for-sale reserve consists of net unrealised gains arising from fair valuation of available-for-sale financial assets, excluding the impact arising from impairment of assets.

Figures in brackets indicate deductions.

The Notes to the Financial Statements from pages 120 to 157 Form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

For the year ended 31st March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Cash Flows from Operating Activities					
Profit before taxation		512,858	490,021	329,989	331,581
Adjustment for					
Depreciation on property, plant & equipment	4.9	208,888	167,385	200,409	160,665
Amortisation of intangible assets and lease rentals	4.10/4.11	8,974	3,148	8,974	3,148
Deferred income net of amortisation		(49,294)	(39,457)	(19,620)	(70,498)
Impairment reversal on investment in subsidiary	4.12	-	-	(9,500)	-
(Profit)/Loss on disposal of property, plant & equipment	4.3	(6,971)	4,418	(6,993)	2,878
Interest expenses	4.4	437,209	636,241	423,990	630,798
Interest income	4.4	(59,856)	(110,169)	(59,136)	(108,370)
Dividend income	4.3	(522)	(235)	(11,322)	(13,015)
Reversal of impairment of trade receivables	4.5	(19,275)	(142,540)	(31,914)	(122,667)
Provision/(reversal of) for slow moving inventories	4.5	(87,605)	131,061	(83,751)	122,593
Provision for employee benefit obligation excluding actuarial loss	4.5	55,935	43,311	51,850	40,675
		1,000,341	1,183,184	792,976	977,788
Changes in working capital					
(Increase)/decrease in inventories		(638,130)	3,878,068	(616,635)	3,897,716
(Increase)/decrease in trade & other receivables		(637,483)	(134,547)	(414,080)	54,600
(Increase)/decrease in other current assets		(214,692)	55,441	(213,766)	54,882
Increase in amount due from subsidiaries		-	-	(56,468)	-
Increase/(decrease) in trade payables		358,725	(652,599)	330,328	(661,952)
Decrease in other current liabilities		(57,327)	(218,203)	(61,781)	(213,547)
Increase in amounts due to subsidiaries		-	-	68,223	58,495
Cash generated from/(used in) operating activities		(188,566)	4,111,344	(171,203)	4,167,982
Interest paid		(430,641)	(628,206)	(417,422)	(622,763)
Employee benefit-payment	4.22	(18,611)	(9,495)	(16,147)	(8,776)
Income tax paid	4.28	(87,751)	(265,943)	(5,737)	(228,818)
Net cash generated from/(used in) operations		(725,569)	3,207,700	(610,509)	3,307,625

For the year ended 31st March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Cash Flow from Investing Activities					
Proceeds from disposal of property plant & equipment		12,195	13,556	12,196	11,953
Dividend received		522	147	11,322	12,927
Interest received		59,856	110,169	59,136	108,370
Acquisition and construction of property plant & equipment and capital work-in-progress	4.9	(1,393,500)	(1,094,453)	(1,433,034)	(1,078,254)
Acquisition of intangible assets	4.11	(40,356)	-	(40,356)	-
Net cash used in investing activities		(1,361,283)	(970,581)	(1,390,736)	(945,004)
Cash Flows from Financing Activities					
Proceeds from long-term loans	4.21.1.1	1,292,600	-	1,292,600	-
Repayment of long-term loans	4.21.1.1	(229,960)	(229,960)	(229,960)	(229,960)
Dividend paid	4.20	(88,764)	(244,102)	(88,764)	(244,102)
Net cash from/(used in) financing activities		973,876	(474,062)	973,876	(474,062)
Net increase/(decrease) in cash & cash equivalents		(1,112,976)	1,763,057	(1,027,369)	1,888,559
Cash & cash equivalents at beginning of the year		(1,965,519)	(3,728,576)	(1,903,070)	(3,791,629)
Cash & cash equivalents at end of the year (Note-A)		(3,078,495)	(1,965,519)	(2,930,439)	(1,903,070)

Note-A

Analysis of Cash & Cash Equivalents at the end of the year					
Cash & bank balances and short-term investments	4.18	1,038,788	682,078	1,033,806	615,156
Short-term borrowings	4.21.2	(4,117,283)	(2,647,597)	(3,964,245)	(2,518,226)
Cash and cash equivalents		(3,078,495)	(1,965,519)	(2,930,439)	(1,903,070)

Figures in brackets indicate deductions.

The Notes to the Financial Statements from pages 120 to 157 form an integral part of these Financial Statements.

SECTION 2 -
Corporate Information

This section gives a description of the reporting entity, the principal activities of the Company and Group entities and the identification of Financial Statements and its authorisation.

2.1 Reporting Entity

Diesel & Motor Engineering PLC (the Company) is a limited liability Company listed on the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka. The Company and its subsidiaries have the registered office at No. 65, Jetawana Road, Colombo 14. The ordinary shares of the Company are being traded in the Colombo Stock Exchange.

2.2 Consolidated Financial Statements

The Consolidated Financial Statements of Diesel & Motor Engineering PLC as at and for the year ended 31st March 2014 comprise the Company and its fully-owned subsidiaries (together referred to as the 'Group' and individually as 'Group Entities').

Diesel & Motor Engineering PLC does not have any identifiable parent of its own.

The Financial Statements of all companies in the Group are prepared to a common financial year, which ends on 31st March.

2.3 Principal activates and nature of operations

The principal activities of the Company and its subsidiaries are as follows:

Entity	*Principal Business Activities*
The Company	
Diesel & Motor Engineering PLC	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, power tools, import & sale of vehicle spares, components, accessories, providing lighting solutions and storage systems.
Fully-owned Subsidiaries	
Dimo (Pvt) Ltd.	Sale and after sales services of biomedical equipment, power engineering solutions, building technologies, generator sets, diesel engines for marine propulsion & rail traction, and fluid management systems.
Dimo Travels (Pvt) Ltd.	Provision of transportation facilities.
Dimo Industries (Pvt) Ltd.	Import and sale of tyres.

There were no significant changes in the nature of the principal activities of the Group and the Company during the financial year under review. Activities of the Group are described in more detail in the 'Group Structure' on page 21.

All subsidiaries of the Company have been incorporated in Sri Lanka.

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend to liquidate or to cease trading activities of any of Group entities.

2.4 Approval of Financial statements by the Board of Directors

The Financial Statements for the year ended 31st March 2014, were authorised for issue by the Board of Directors on 23rd May 2014.

SECTION 3 -
Basis of Preparation

This section provide the basis of preparation of Financial Statements including significant accounting policies and application of Sri Lanka Accounting Standards and other relevant statutory requirements.

This section provides a summary of significant accounting policies, significant accounting judgements, estimates and assumptions used, other general accounting policies and Sri Lanka Accounting Standards (SLFRS) not yet adopted.

All specific accounting policies and accounting estimates in relation to the reported values have been presented in the respective notes in section 4.

3.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

3.2 Responsibilities for the financial statements

The Board of Directors acknowledges the responsibility in relation to the Financial Statements, as set out in the 'Statement of Directors' Responsibilities for Financial Statements', 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position on pages 109 to 111 of this Annual Report.

3.3 Basis of measurement

The Financial Statements of the Group/Company have been prepared on historical cost basis, except for freehold land and financial assets available for sale measured at fair value and defined benefit obligations which is recognised at present value.

3.4 Functional and presentation currency

The Financial Statements of the Group / Company are presented in Sri Lankan Rupees, which is the Group's functional currency.

3.5 Use of Materiality, Offsetting and Rounding

Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Offsetting

Assets and liabilities and income and expenses are not set off unless permitted by Sri Lanka Accounting Standards.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, except where otherwise indicated.

3.6 Summary of significant accounting policies

The accounting policies set out in each of the individual notes to the Financial Statements of the Group/Company, have been applied consistently to all periods presented in these Financial Statements.

Management considers the accounting policies relating to revenue recognition to be significant accounting policies. These policies are presented in more details in note 4.1.

In addition, the accounting policies relating to the following are considered relevant to understanding these Consolidated Financial Statements.

- Property, plant and equipment
- Financial assets and liabilities
- Inventories
- Trade and other receivables

SECTION 3 - Basis of Preparation

3.7 Summary of significant accounting judgements, estimates and assumptions

The preparation of Financial Statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect 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. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

Management considered the following items, where significant judgments, estimates and assumptions have been used in preparing these Financial Statements.

Going concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's/Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

The following notes provide more information on specific accounting judgments, estimations and assumptions used.

- Impairment losses on non financial assets (Note 3.9) Management Judgement is used when assessing the indicators of impairment.
- Deferred tax (Note 4.23)
- Provision for impairment of trade receivables (Note 4.16)
- Defined benefit obligation (Note 4.22)
- Provision for impairment of investments in subsidiaries (Note 4.12.1)
- Provision and contingent liabilities (Note 4.25)

3.8 New standards not yet adopted

Sri Lanka Accounting Standards (SLFRSs) issued but not yet effective.

The new accounting standards, amendments and interpretations issued but not effective for the financial year commencing 1 April 2013 have not been applied when preparing these Financial Statements.

SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. SLFRS 9 replaces the parts of LKAS 39 that relate to classification and measurement of financial instruments. SLFRS 9, requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The effective date of this standard has been deferred.

SLFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor when assessing whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess. This standard will not have significant impact on the Group and it has been adopted from the accounting period commencing from 1 April 2014.

SLFRS 11, 'Joint Arrangement', The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). SLFRS 11 has become effective for the Group from 1 April 2014. However, it will not be applicable for the Group, in the absence of a joint venture in the Group this standard become in applicable.

SLFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard will not have a significant impact on the Group and has become effective from the accounting period commencing on 1 April 2014.

SLFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs/LKASs. This standard has become effective to the Group from 1 April 2014 and Group dose not anticipate any significant impact.

There are no other standards interpretations that are issued but not effective as at the reporting date.

3.9 General accounting policies

Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are also taken into account. All the subsidiaries are consolidated from the date that control commences until the date that control ceases.

A list of the Group's subsidiaries is set out in Note 4.12 to the Financial Statements.

Financial Statements of the Group entities are prepared to a common financial year ending 31st March, using uniform accounting policies.

There are no restrictions on the ability of subsidiaries to transfer funds to the Company (The Parent) in the form of cash dividend or repayment of loans and advances.

Transactions eliminated on consolidation

Intra-group balances and transactions, income and expenses and any unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group/Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of the functional currency prevailing at the reporting date.

Foreign exchange differences arising on translation of foreign exchange transactions are recognised as a profit or a loss in the Income Statement.

Impairment of non-financial assets

All non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

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

SECTION 4
Specific Accounting Policies and Notes

This section provides specific accounting policies and accounting estimates in relation to the reported values in the financial statements with additional notes and explanations.

4.1 Revenue

Accounting Policies

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The Group/Company separately identifies different components of a single transaction in order to reflect the substance of the transaction. The following specific criteria are used for the purpose of recognition of revenue.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

Provision of services

Revenue from services rendered is recognised in the Income Statement once all significant performance obligations have been provided.

Constructions related contracts

Revenue from construction related contracts is recognised in the Income Statement by reference to the stage of completion of the transactions at the end of the reporting date.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Service support income

Service support income which is included in revenue represents income received from foreign principals on indent sales. Such income is recognised on an accrual basis at the time of supply of goods and services relating to the service support provided by the Group.

Sales Performance

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Vehicles - Sales	13,262,241	20,736,288	13,262,801	20,686,979
Vehicles - After Services	2,067,354	2,294,649	2,083,942	2,294,649
Marketing and Distribution	2,650,395	2,134,000	2,564,728	2,134,000
Construction & Material Handling Equipment and After Services	1,273,775	1,381,321	1,273,775	1,381,321
Electro Mechanical & Bio Medical and Marine Engineering	1,630,909	1,165,346	-	-
	20,884,674	27,711,604	19,185,246	26,496,949

4.2 *Segment Information*

Accounting Policies

The Operating business are organised and managed separately according to the nature of the products and services provided. The Primary segment reporting format is determined based on products and services offered as the Group's risks and returns are affected predominantly by differences in the products and services provided.

The Group comprises of the following main business segments as per the products and services offered:

Vehicles - Sales

Sale of brand new passenger vehicles, commercial vehicles, agri machinery, special purpose vehicles and pre-owned passenger vehicles.

Vehicles - After Services

Repair and Service of vehicle included in the vehicle-sale segment, sale of vehicle spare parts, accessories and components.

Marketing and Distribution

Sale of power tools and accessories, lamps, lighting fittings and accessories, tyres and retreaded tyres.

Construction & Material Handling Equipment and After Services

Sales and services of earth moving machinery, road construction machinery, forklifts, material handling machinery, racking systems, dock levellers and car parking systems.

Electro-Mechanical, Bio Medical and Marine Engineering

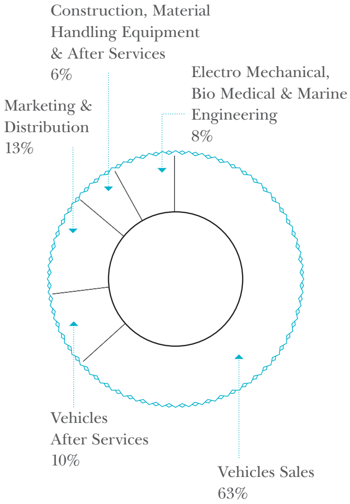
Sale, installation, commissioning and maintenance of medical equipment, generating sets, diesel engines for marine propulsion and rail traction, building management systems, fluid management systems, industrial refrigeration systems and power engineering equipment and systems.

Inter-segment transfers are based on fair market prices (arm's length basis in a manner similar to transactions with third parties). Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

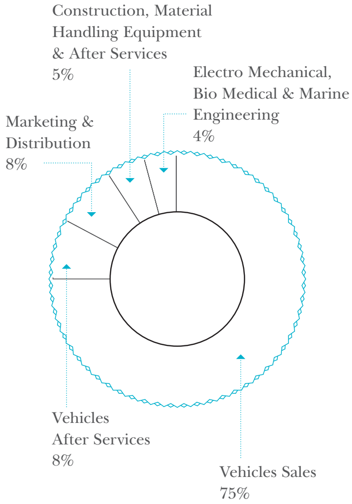
Unallocated assets and liabilities comprise mainly of assets and liabilities that cannot be attributed to a particular segment.

Finance income and expenses and income taxes are managed at Group level and are not allocated to business segments.

Sales to any single customer does not represent more than 10% of the total sales and no segments are determined based on the geographical area as all the segments are operating in the same economic environment.



Segment Revenue 2014



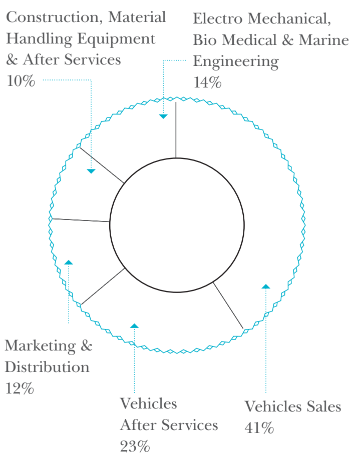
Segment Revenue 2013

Specific Accounting Policies and Notes

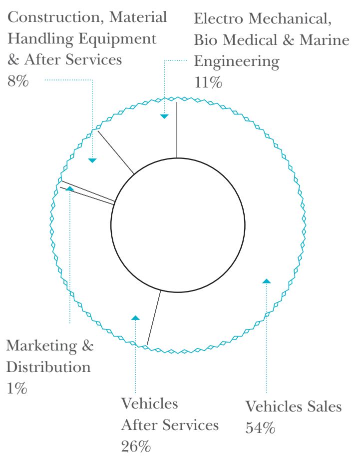
Segmental Results and Assets/Liabilities

Group

For the year ended 31st March	Vehicles - Sales 2014 Rs. '000	Vehicles - Sales 2013 Rs. '000	Vehicles - After Services 2014 Rs. '000	Vehicles - After Services 2013 Rs. '000	Marketing and Distribution 2014 Rs. '000	Marketing and Distribution 2013 Rs. '000	Construction & Material Handling Equipment and After Services 2014 Rs. '000	Construction & Material Handling Equipment and After Services 2013 Rs. '000	Electro Mechanical & Bio Medical and Marine Engineering 2014 Rs. '000	Electro Mechanical & Bio Medical and Marine Engineering 2013 Rs. '000	Total 2014 Rs. '000	Total 2013 Rs. '000
Business Segment Turnover and Results												
Total segment revenue	13,288,560	20,794,283	2,800,344	2,758,442	2,822,779	2,181,450	1,321,621	1,437,782	1,900,079	1,221,937	22,133,383	28,393,894
Inter-segment revenue	(26,319)	(57,995)	(732,990)	(463,793)	(172,384)	(47,450)	(47,846)	(56,461)	(269,170)	(56,591)	(1,248,709)	(682,290)
Total external revenue	13,262,241	20,736,288	2,067,354	2,294,649	2,650,395	2,134,000	1,273,775	1,381,321	1,630,909	1,165,346	20,884,674	27,711,604
Segment results	692,280	916,766	386,107	445,586	209,697	15,605	174,681	142,765	245,859	186,168	1,708,624	1,706,890
Unallocated other income	-	-	-	-	-	-	-	-	-	-	69,419	35,903
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(903,487)	(857,292)
Finance cost - net	-	-	-	-	-	-	-	-	-	-	(361,698)	(395,480)
Income tax expense	-	-	-	-	-	-	-	-	-	-	(119,317)	(35,934)
Profit for the year	-	-	-	-	-	-	-	-	-	-	393,541	454,087
Business Segment Assets and Liabilities												
Segment assets	4,028,135	3,740,927	1,429,507	1,251,320	1,505,377	1,132,103	579,762	492,174	1,494,910	1,034,883	9,037,691	7,651,407
Unallocated assets	-	-	-	-	-	-	-	-	-	-	7,056,963	5,248,972
Total assets											16,094,654	12,900,379
Segment liabilities	374,858	2,914,312	63,968	109,137	53,312	102,724	854	23,084	30,893	88,902	523,885	3,238,159
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	7,653,276	2,031,053
Equity	-	-	-	-	-	-	-	-	-	-	7,917,493	7,631,167
Total equity and liabilities											16,094,654	12,900,379
Other Information												
Capital expenditure	52,331	12,741	84,881	86,525	23,259	28,395	3,813	5,512	4,296	15,984	168,580	149,157
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	1,265,276	945,296
Depreciation and amortisation	22,868	13,759	74,741	52,867	11,786	8,036	4,213	3,389	8,478	6,719	122,086	84,770
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	95,776	85,763



Segment Results 2014



Segment Results 2013

4.3 Other Operating Income/(Expenses)

Accounting Policies

Income earned and expenses incurred on other sources, which are not directly related to the normal operations of the group are recognised as other operating income/(expenses).

The following specific criteria are used for the purpose of recognising income.

Deferred Income on sale and lease back transactions

The excess of sales proceeds over the cost of an asset in a sale and lease back transaction is classified as deferred income. Deferred income is systematically amortised to the Income Statement over the lease period.

Dividend income

Dividend income is recognised when the Group/Company right to receive payment is established.

Other Operating Income/(Expenses)

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amortisation of deferred income	1,595	3,191	1,595	3,191
Sundry income	60,331	36,895	49,812	22,099
Dividend income	522	235	11,322	13,015
Profit/(Loss) on disposal of property, plant & equipment	6,971	(4,418)	6,993	(2,878)
	69,419	35,903	69,722	35,427

4.4 Finance Income and Expenses

Accounting Policies

Finance income comprises of interest income. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables). Interest expenses are recognised using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Income Statement in the period in which they occur.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Specific Accounting Policies and Notes

Net Finance Cost

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Finance income				
Interest income	59,856	110,169	59,136	108,370
Exchange gain on translation of foreign currency	15,655	130,592	11,481	132,808
Total finance income	75,511	240,761	70,617	241,178
Finance cost				
Interest on long-term borrowings	(40,673)	(53,329)	(40,673)	(53,329)
Interest on short-term borrowings	(396,536)	(582,912)	(383,317)	(577,469)
Total finance cost	(437,209)	(636,241)	(423,990)	(630,798)
Net finance cost	(361,698)	(395,480)	(353,373)	(389,620)
Capitalisation of finance income and cost				
Finance income	8,399	-	8,399	-
Finance cost	(57,622)	(59,651)	(57,622)	(59,651)
Net finance cost	(49,223)	(59,651)	(49,223)	(59,651)

4.5 Profit Before Tax

Profit before tax is stated after charging/(reversing) the following:

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Directors' emoluments - Short-term employment benefits	173,211	159,847	159,273	149,827
- Post-employment benefits	41,434	43,267	39,111	41,011
Auditors' remuneration				
- Audit services	2,811	2,415	2,300	1,980
- Audit-related services	717	932	602	785
- Non-audit services	557	628	403	454
Depreciation on property, plant & equipment	208,888	167,385	200,409	160,665
Amortisation of intangible assets and lease rentals paid in advance	8,974	3,148	8,974	3,148
Reversal of impairment of trade and other receivable	(19,275)	(142,540)	(31,914)	(122,667)
Provision/(reversal of) for slow moving inventories	(87,605)	131,061	(83,751)	122,593
Donations	13,191	14,804	5,949	14,104
Legal fees	17,668	17,753	17,225	15,904
Staff expenses (Note 4.5.1)	1,344,015	1,121,737	1,174,398	993,423

4.5.1 Staff Expenses

Accounting Policies

Salaries and wages, contribution to EPF and ETF, training expenses and current service cost of defined benefit plans are measured at cost and recognised as an expense in the year in which the related services are provided.

Staff Expenses

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Defined contribution plan cost	160,925	145,001	139,918	128,032
Employee benefit obligation cost (Note 4.22)	55,935	43,311	51,850	40,675
Training expenses	42,803	41,866	34,339	28,401
Salaries and wages	1,084,352	891,559	948,291	796,315
	1,344,015	1,121,737	1,174,398	993,423
Average number of employees for the year	1,518	1,433	1,349	1,290

The average number of employees is calculated by averaging the number of employees as at the year end in the current and previous year.

4.6 Income Tax

Accounting Policies

Income tax expense/(reversal) for the year comprises current and deferred tax including adjustments to previous years and changes in tax provisions. It is recognised in the Income Statement except, to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI).

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Accounting Estimate

The Group/Company recognises liabilities for anticipated tax, based on estimate of taxable income where the final tax outcome of these matters is different from the amount that were initially recorded, such differences will be adjusted in the current year's income tax charge and/in the deferred assets/liabilities as appropriate in the period in which such determination is made.

Deferred tax

A detail disclosure of accounting policies and estimate of deferred tax is available in Note 4.23.

Income Tax Expense

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Tax Expense				
Current tax on profit for the year (Note 4.6.1)	66,795	69,092	-	21,536
Under provision in respect of previous year	1,181	1,494	-	74
	67,976	70,586	-	21,610
Deferred Tax Expense				
Origination/(Reversal) of temporary differences (Note 4.6.2)	51,341	(34,652)	50,070	(34,924)
Total income tax expense/(reversal)	119,317	35,934	50,070	(13,314)

Specific Accounting Policies and Notes

4.6.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Profit before taxation	512,858	490,021	329,989	331,581
Disallowable expenses	405,705	387,338	383,017	371,219
Allowable expenses	(396,564)	(267,963)	(376,714)	(263,745)
Qualifying Payments	(343,492)	(362,177)	(336,292)	(361,677)
Taxable income	178,507	247,219	-	77,378
Income tax				
Tax at 12%	622	98	-	98
Tax at 28%	66,173	68,994	-	21,438
Current tax on profits for the year	66,795	69,092	-	21,536
Effective tax rate (%)	13%	14%	0%	6%

Current tax has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and amendments thereto.
The companies within the Group are liable to income tax at 28%. The tax on export profits is 12%.

Withholding tax on the final dividend approved on 23rd May 2014 is Rs. 8.8 mn. The actual liability arises in the year in which dividend is paid. Therefore, no liability is recognised in these Financial Statements.

4.6.2 Recognition of deferred tax expenses in the Comprehensive Income

For the year ended 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Income Statement (Note 4.23.2)	51,341	(34,652)	50,070	(34,924)
Other Comprehensive Income (Note 4.23.2)	(7,076)	(8,063)	(6,537)	(6,929)
	44,265	(42,715)	43,533	(41,853)

4.6.3 Tax Losses Brought Forward and Utilised During the Year

For the year ended 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Tax losses at the beginning of the year	6,050	6,050	-	-
Claim during the year	(3,829)	-	-	-
Tax losses at the end of the year	2,221	6,050	-	-

Tax losses brought forward relate to Dimo Industries (Pvt) Ltd.

4.7 Earnings Per Share - Basic and Diluted

Accounting Policies - Measurement basis

Earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year.

Calculation of Earnings Per Share

	Group		Company	
For the year ended 31st March	2014	2013	2014	2013
Profit attributable to ordinary shareholders (Rs. '000)	393,541	454,087	279,919	344,895
Weighted average number of ordinary shares	8,876,437	8,876,437	8,876,437	8,876,437
Earnings per ordinary share - basic and diluted (Rs.)	44.34	51.16	31.54	38.86

4.8 Dividends

Calculation of Dividend Per Share

	Company	
For the year ended 31st March	2014	2013
	Rs. '000	Rs. '000
Final dividend approved	88,764	88,764
	88,764	88,764
Dividend per share (Rs.)	10.00	10.00

No interim dividend was paid during the financial year 2013/14.
(No Interim dividends was paid in 2012/13.)

4.8.1 Approved Final Dividend

On 23rd May 2014, the Board of Directors of the Company has recommended the payment of a first and final dividend of Rs. 10.00 per share for the year ended 31st March 2014 (2012/13 - final dividend of Rs. 10.00 per share). In accordance with the - LKAS 10 on 'Events after the Reporting Period', this final dividend has not been recognised as a liability in the Financial Statements as at 31st March 2014.

4.8.2 Compliance with Section 56 and 57 of Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to recommending the final dividend. A statement of solvency completed and duly signed by the Directors on 23 May 2014 has been audited by Messrs KPMG, Chartered Accountants.

Specific Accounting Policies and Notes

4.9 Property plant and equipment

Accounting Policies

Basis of recognition

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group/Company and cost of the asset can be measured reliably.

Purchased software which is integral to the functionality of the related equipment is capitalised as part of that equipment.

Basis of measurement

All property, plant & equipment are initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction.

Cost model

Property, plant & equipment (excluding freehold land), is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When an asset's carrying value is higher than it's estimated recoverable amount, the carrying value is written down to its recoverable amount. (please refer 3.9 - Impairment of non-financial assets)

Revaluation model

Freehold land is stated at cost at the time of acquisition and subsequently measure at fair value at the next revaluation. The Group policy is to revalue all freehold land at every three years or when there is a substantial difference between the fair value and the carrying amount.

Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in equity in the capital reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement.
A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the capital reserve. Upon disposal, any revaluation reserve relating to particular assets being sold is transferred to retained earnings.

Subsequent cost

When significant parts of a property, plant and equipment are required to be replaced at regular intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciated accordingly. Ongoing repair and maintenance costs are recognised in the Income Statement as incurred.

Derecognition

An item of property, plant & equipment is derecognised upon disposal, replacement or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the period the asset is derecognised.

Depreciation

Depreciation is based on straight-line method over the estimated useful lives of the assets. Freehold land is not depreciated.

Depreciation of an asset begins from the date they are available for use or in respect of self constructed assets from the date that the asset is completed and ready for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The estimated useful life of assets is as follows:

Class of Asset	Year
Buildings	36 - 40
Buildings on leasehold land	Over the lease period
Plant and machinery	08 - 13
Workshop Implements	03 - 04
Motor vehicles	03 - 04
Furniture & Fittings	09 - 13
Office equipment & electrical fittings	06 - 10
Computer hardware & software	03 - 04

Residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted if appropriate.

Capital work-in-progress

Capital work-in-progress is stated at cost, including borrowing costs, less any accumulated impairment losses. These would be transferred to the relevant asset category in PPE when the asset is completed and available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Carrying Value of Property, Plant & Equipment

	* Freehold Land	Buildings and Premises	Leasehold Buildings and Premises	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total 2014	Total 2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group										
Cost or Revalued Amount										
At the beginning of the year	3,396,858	701,828	123,050	448,126	179,382	399,820	190,998	268,988	5,709,050	5,241,994
Additions	-	-	-	14,495	11,414	41,454	14,235	23,872	105,470	443,710
Transferred from capital work-in-progress	-	-	104,227	-	-	-	8,424	-	112,651	65,358
Disposals	-	-	-	(5,470)	(141)	(17,672)	(2,901)	(299)	(26,483)	(42,012)
At the end of the year	3,396,858	701,828	227,277	457,151	190,655	423,602	210,756	292,561	5,900,688	5,709,050
Depreciation										
At the beginning of the year	-	121,289	16,001	134,535	139,323	214,582	131,328	126,749	883,807	740,461
Charge for the year	-	17,307	18,745	32,439	16,487	77,893	26,116	19,901	208,888	167,385
On disposals	-	-	-	(1,573)	(141)	(16,511)	(2,812)	(221)	(21,258)	(24,039)
At the end of the year	-	138,596	34,746	165,401	155,669	275,964	154,632	146,429	1,071,437	883,807
Carrying amount before capital work-in- progress	3,396,858	563,232	192,531	291,750	34,986	147,638	56,124	146,132	4,829,251	4,825,243
Capital work-in-progress at cost										
At the beginning of the year	-	638,885	93,560	-	-	-	908	8,773	742,126	156,741
Additions	-	1,087,911	14,027	83,761	21,533	-	32,299	48,499	1,288,030	650,743
Transferred to PPE	-	-	(104,227)	-	-	-	(8,424)	-	(112,651)	(65,358)
At the end of the year	-	1,726,796	3,360	83,761	21,533	-	24,783	57,272	1,917,505	742,126
Carrying amount as at 31st March 2014	3,396,858	2,290,028	195,891	375,511	56,519	147,638	80,907	203,404	6,746,756	-
Carrying amount as at 31st March 2013	3,396,858	1,219,424	200,609	313,591	40,059	185,238	60,578	151,012	-	5,567,369
Company										
Cost or Revalued Amount										
At the beginning of the year	3,396,858	700,213	123,050	412,562	159,097	396,245	172,733	253,519	5,614,277	5,157,601
Additions	-	-	-	12,762	11,246	41,454	12,378	23,239	101,079	427,511
Transferred from capital work-in-progress	-	-	104,227	-	-	-	8,424	-	112,651	65,358
Disposals	-	-	-	(5,470)	(141)	(17,672)	(2,523)	(299)	(26,105)	(36,193)
At the end of the year	3,396,858	700,213	227,277	419,854	170,202	420,027	191,012	276,459	5,801,902	5,614,277
Depreciation										
At the beginning of the year	-	120,948	16,001	122,550	124,778	212,175	118,699	117,739	832,890	693,588
Charge for the year	-	17,267	18,745	29,784	14,810	77,309	23,746	18,748	200,409	160,665
On disposals	-	-	-	(1,573)	(141)	(16,511)	(2,456)	(221)	(20,902)	(21,363)
At the end of the year	-	138,215	34,746	150,761	139,447	272,973	139,989	136,266	1,012,397	832,890
Carrying amount before capital work-in-progress	3,396,858	561,998	192,531	269,093	30,755	147,054	51,023	140,193	4,789,505	4,781,387
Capital work-in-progress at cost										
At the beginning of the year	-	638,885	93,560	-	-	-	908	8,773	742,126	156,741
Additions	-	1,106,190	14,027	90,617	21,533	-	32,299	67,289	1,331,955	650,743
Transferred to PPE	-	-	(104,227)	-	-	-	(8,424)	-	(112,651)	(65,358)
At the end of the year	-	1,745,075	3,360	90,617	21,533	-	24,783	76,062	1,961,430	742,126
Carrying amount as at 31st March 2014	3,396,858	2,307,073	195,891	359,710	52,288	147,054	75,806	216,255	6,750,935	-
Carrying amount as at 31st March 2013	3,396,858	1,218,150	200,609	290,012	34,319	184,070	54,942	144,553	-	5,523,513

Capital work-in-progress mainly comprises of cost relating to constructions of new Mercedes Benz centre.

** Freehold land is carried at revalued amount.*

Specific Accounting Policies and Notes

4.9.1 Revaluation of Freehold Land

Freehold land was revalued as at 30th September 2011 by Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka) who is a professionally qualified independent valuer.

The revaluation was carried out by taking into account the observable prices in active market or recent market transactions on arm's length terms, adjusted for any difference in the nature, location or condition of the specific property.

The revaluation surplus, amounting to Rs. 879.14 mn was credited to the capital reserve account during the year 2011/12.

The value of freehold land has been written up to correspond with the market value and the details are as follows:

Location	Extent	Freehold Land Original Cost Rs. '000	Revalued Rs. '000	Revalued Amount as No. of Times of Cost	Freehold Building Square Feet	Pledged	Mortgaged to Financial Institution
No. 65, Jetawana Road, Colombo 14 and No. 56, K. Cyril C. Perera Mawatha, Colombo 14	2A-0R-33.29P	414	1,349,135	3,258.78	65,605	–	–
No. 61, Jetawana Road, Colombo 14	0A-1R-04.00P	18,014	220,000	12.21	8,423	–	–
No. 74, Jetawana Road, Colombo 14	0A-1R-14.56P	113,808	252,640	2.22	4,042	–	–
No. 800, Sirimawo Bandaranaike Mawatha,Colombo 14	3A-3R-14.00P	641,519	659,388	1.03	–	–	–
No. 135, Mahena Road, Siyambalape	7A-3R-05.90P	16,483	222,660	13.51	96,300	–	–
Kirindiwela Road, Weliweriya	16A-0R-36.31P	89,958	191,125	2.12	213,925	√	Commercial Bank
No.360, Madampitiya Road, Mahawatta, Colombo 14	1A-2R-26.80P	301,599	*301,599	–	–	–	–
No. 09, Ariyala, Kandy Road, Jaffna	1A-2R-26.72P	32,487	*32,487	–	–	–	–
Yaggapitiya Watta, Dambulla Road, Kurunegala	5A-0R-0P	54,599	*54,599	–	–	–	–
No. 274/A, Kakunagaha Watta, Siyambalape	1A-0R-14.00P	21,123	*21,123	–	–	–	–
No. 23, Kaldemulla Road, Moratuwa	0A-3R-27.04P	92,102	*92,102	–	18,274	–	–
Total		1,382,106	3,396,858		406,569		

** These freehold lands were acquired subsequent to the last revaluation date and therefore, the original cost is shown under the 'Revalued' column.*

4.9.2 Fully Depreciated but still in Use

Property, plant & equipment totalling to Rs.435.6 mn (2013 - Rs. 433 mn) at cost have been fully depreciated and continue to be used by the Group. The cost of fully-depreciated assets of the Company amounted to Rs. 404.6 mn (2013 - Rs. 403 mn).

4.9.3 Property, Plant & Equipment Pledged as Security against Long-Term Bank Loan

Land and buildings with a carrying value of Rs. 191 mn (2013 - Rs. 666 mn) have been pledged as security against term loans obtained.

4.9.4 Permanent Fall in Value of Property, Plant & Equipment

There is no permanent fall in the value of property, plant & equipment which require a provision for impairment.

4.9.5 Title Restriction on Property, Plant & Equipment

There were no restrictions that existed on the title to the property, plant & equipment of the Group/Company as at reporting date.

4.10 Lease Rentals Paid in Advance

Acounting Policies

Lease rentals paid in advance is stated at cost less accumulated amortisation. Such carrying amounts are amortised over the remaining lease period or useful life of the leasehold property whichever is shorter.

Carrying Value of Lease Rentals Paid in Advance

	Group		Company	
As at 31st March	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Cost				
At the beginning of the year	39,938	39,938	39,938	39,938
Additions during the year	-	-	-	-
At the end of the year	39,938	39,938	39,938	39,938
Accumulated Amortisation				
At the beginning of the year	6,592	4,387	6,592	4,387
Amortisation for the year	2,205	2,205	2,205	2,205
At the end of the year	8,797	6,592	8,797	6,592
Carrying amount at the end of the year	31,141	33,346	31,141	33,346
Current portion of lease rentals paid - (Note 4.17)	2,205	2,205	2,205	2,205
Non-current portion of lease rentals paid	28,936	31,141	28,936	31,141
Carrying amount at the end of the year	31,141	33,346	31,141	33,346

4.10.1 Details of Lease Rentals Paid in Advance

Location	Amount of lease Rs. '000	Duration of the lease
i. No. 562/126, D.S. Senanayake Mawatha, Anuradhapura	2,400	From April 1997 to August 2021
ii. No. 562/100, Jayanthi Mawatha, Anuradhapura	37,538	From October 2010 to May 2028
	39,938	

Specific Accounting Policies and Notes

4.11 Intangible assets

Accounting Policies

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Basis of measurement

Acquired Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Income Statement when incurred.

Useful economic lives, amortisation

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful life from the date that they are available for use. These assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets mainly represent cost of computer software and the amortisation rate is as follows:

Computer software **4 Years**

Above rate is consistent with the rate used in the previous years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Derecognition

Intangible assets are derecognised on disposal, replacement or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the period the asset is derecognised.

Carrying Value of Intangible Assets

	Group		Company	
As at 31st March	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Cost				
At the beginning of the year	6,344	6,344	6,344	6,344
Additions during the year*	40,356	-	40,356	-
At the end of the year	46,700	6,344	46,700	6,344
Accumulated Amortisation				
At the beginning of the year	4,208	3,265	4,208	3,265
Amortisation for the year	6,769	943	6,769	943
At the end of the year	10,977	4,208	10,977	4,208
Carrying amount at the end of the year	35,723	2,136	35,723	2,136

** Additions consist of investment in application software.*

4.12 Investments in Subsidiaries

Accounting Policies

Investments in subsidiaries are recorded at cost less impairment in the Financial Statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

Accounting Estimate - Provision for Impairment

An impairment assessment was carried out as at 31st March 2014 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value except for DIMO Industries (Pvt) Ltd. Based on an assessment made for impairment, a provision of Rs. 2.7 mn (2012/13 - Rs. 12.2 mn) in relation to the investment in Dimo Industries (Pvt) Ltd. was considered to be adequate as at reporting date. The management has implemented a revitalisation plan for Dimo Industries (Pvt) Ltd. and commenced tyre trading activities with effect from 1st April 2013.

Carrying Value of Investments in Subsidiaries

		Company	
As at 31st March	Percentage of Holding (%)	2014 Rs. '000	2013 Rs. '000
Unquoted Investment - Ordinary Shares			
Dimo (Pvt) Ltd. - 25,000 ordinary shares	100	250	250
Dimo Industries (Pvt) Ltd. - 2,305,000 ordinary shares	100	23,050	23,050
Dimo Travels (Pvt) Ltd. - 500 ordinary shares	100	50	50
		23,350	23,350
Impairment provision (Note 4.12.1)		(2,705)	(12,205)
		20,645	11,145

4.12.1 Provision for Impairment of Investments in Subsidiaries

	Company	
As at 31st March	2014 Rs. '000	2013 Rs. '000
At the beginning of the year	12,205	12,205
Reversal of impairment	(9,500)	-
At the end of the year	2,705	12,205

Specific Accounting Policies and Notes

4.13 Financial Assets and Liabilities

Accounting Policies

Financial assets

Initial recognition and measurement

Group/Company classifies financial assets at initial recognition as available-for-sale financial assets or loans and receivables based on the purpose of each investment. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial assets are initially recognised at fair value plus directly attributable transaction cost.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale financial assets or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets consist of investments in quoted shares held for earnings on income or for capital appreciation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly consist of trade and other receivables.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a. The right to receive cash from the asset has expired

b. The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash in full without material delay to a third party under a 'pass through' arrangement, and either,

   i. The Group: has transferred substantially all the risks and rewards of the asset, or

   ii. has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities

Initial recognition and measurement

Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value, net of transaction cost. Other financial liabilities mainly consist of trade and other payables and bank borrowings. Subsequently they are carried at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.13.1 Financial Assets and Liabilities by Category

Financial assets

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
i. Financial assets at fair value through profit or loss	-	-	-	-
ii. Held-to-maturity (HTM)	-	-	-	-
iii. Loans & receivables (L&R)				
Trade & other receivables	2,742,873	2,086,115	2,099,995	1,654,001
Cash and cash equivalents	1,038,788	682,078	1,033,806	615,156
iv. Available-for-sales (AFS)				
Financial assets available-for-sale	4,823	5,077	4,801	5,054
Total financial assets	3,786,484	2,773,270	3,138,602	2,274,211

Financial liabilities

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
i. Financial liabilities at fair value through profit or loss	-	-	-	-
ii. Other financial liabilities				
Current portion of long-term borrowings	333,080	229,960	333,080	229,960
Long-term borrowings	1,499,763	540,243	1,499,763	540,243
Short-term borrowings	4,117,283	2,647,597	3,964,245	2,518,226
Trade payables	1,208,337	843,044	1,129,614	792,718
Total financial liabilities	7,158,463	4,260,844	6,926,702	4,081,147

Fair value estimation of financial assets and liabilities

The Group/Company uses the following hierarchy for determining and disclosing the fair value of financial instruments.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs with significant effects on the recorded fair values are observable, either directly or indirectly;

Level 3: techniques that use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

The Group held the following financial instruments carried at fair value in the Statement of Financial Position.

		Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Financial assets					
Classified as available for sale	Level 1	4,823	5,077	4,801	5,054
	Level 2	-	-	-	-
	Level 3	-	-	-	-

Financial liabilities are not measured at fair value.

Specific Accounting Policies and Notes

4.13.2 Financial risk management

The group's activities are exposed it to a variety of financial risks such as;

a. Market risk (Including currency risk, fair value interest rate risk and cash flow interest rate risk)

b. Credit risk

c. Liquidity risk

The groups' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the groups' financial performance.

The overall objectives and policies for the Group's financial risk management are as per the internal treasury practices. It will cover foreign exchange policy, Investment policy, financing policy and policies on credit risk and risk limits.

(a) Market risk

(i) Foreign exchange risk

The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of Sri Lankan Rupee (LKR) aginst the US Dollar (USD), Euro and Japanese Yen. Group's functional currency is the Sri Lankan Rupee (LKR) in which most of the transactions are denominated and all other currencies are considered foreign currencies for reporting purposes. The Group had taken measures to manage risk by having foreign currency trade receivables and foreign currency bank accounts balances to cover the exposure on foreign currency payables. Hence the overall objective of foreign exchange risk management is to reduce the short term negative impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results.

Sensitivity Analysis - Based on exchange rate fluctuation against Sri Lankan rupees

	Group		Company	
	2014	2013	2014	2013
US Dollar (USD)				
% of Appreciation / (Depreciation) during the financial year	3.52	(0.90)	3.52	(0.90)
1% change impact to profitability by - Rs'000	4,242	5,295	3,301	3,543
Euro				
% of Appreciation / (Depreciation) during the financial year	11.39	(4.93)	11.39	(4.93)
1% change impact to profitability by - Rs'000	3,096	3,767	1,088	1,858
Japanese Yen				
% of Appreciation / (Depreciation) during the financial year	(4.96)	(13.73)	(4.96)	(13.73)
1% change impact to profitability by - Rs'000	306	119	301	119

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating rates. The Group manages its interest rate risk by monitoring and managing cash flows, negotiating favourable rates on borrowings and deposits including and maintaining an appropriate combination of fixed and floating rate debt.

Sensitivity Analysis

If interest rates had been higher/lower by 100 basis points and all other variables were held constant, the profit before tax for the period ended 31 March 2014 would decrease/increase by 12.2 Mn (2013 Rs 7.7 Mn). This is mainly attributable to the Group's exposure to interest rates on variable rate of interest.

(iii) Price risk

The Group is exposed to price risk because of investments in quoted shares held by the Group classified as financial assets available-for-sale. The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

(b) Credit risk

The Group extends credit facilities to customers during the course of business. Therefore, non-payment of trade debts is a key risk associated with trade receivables.

The Group has taken several measures to manage and mitigate the credit risk including carrying out a credit evaluation as per the Group credit policy, prior to extending credit. A review of age analysis of trade debtors and follow-up meetings are carried out by the business unit managers at least once a month and by the Group Management Committee (GMC) at least once a quarter. In the event of a debt becoming doubtful, legal action is initiated by the Manager - Legal.

Credit risk exposure

The maximum risk exposure of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

	Group		Company	
For the year ended 31 March	2014 Rs'000	2013 Rs'000	2014 Rs'000	2013 Rs'000
Trade and other receivables	2,742,873	2,086,115	2,099,995	1,654,001
Amounts due from subsidiaries	-	-	56,468	-
Cash in hand and at bank	1,038,788	682,078	1,033,806	615,156
Total credit risk exposure	3,781,661	2,768,193	3,190,269	2,269,157

Deposits and balances with banks

	Group		Company	
For the year ended 31 March	2014 Rs'000	2013 Rs'000	2014 Rs'000	2013 Rs'000
Fitch Rating				
AAA	68,797	85	68,797	85
AA+	821,765	149,550	821,765	149,550
AA	1,786	2,168	1,750	2,062
AA-	121,959	458,977	119,274	393,222
A	-	51,399	-	51,399
BB	-	46	-	46
	1,014,307	662,225	1,011,586	596,364

(c) Liquidity risk

This is the risk that the group will encounter in meeting the obligations associated with it's financial liabilities that are settled by delivering cash or another financial asset.

In the management of liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to source of funding is sufficiently available.

Maturity profiles and specific risk management strategies with regards to trade payables and bank borrowings are given in the respective notes.

Specific Accounting Policies and Notes

4.13.3 Capital Risk management

The objectives of the capital management can be summarised as follows:

a. Appropriately allocate capital to meet strategic objectives.

b. Enable the Group to face any economic down turn/ crisis situation.

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence in order to sustain future development of the business. The impact of the shareholders' return is also recognised and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company manages its capital structure and adjusts it accordingly in line with changes in global and local economic and market conditions and its overall risk appetite.

Given below is a summary of the capital structure of the Group:

For the year ended	2014 Rs. '000	2013 Rs. '000
Long-term borrowings (Note 4.21.1.1)	1,832,843	770,203
Equity	7,917,493	7,631,167
Total equity and long-term loans	9,750,336	8,401,370
Gearing ratio (%)	19%	9%

4.14 Available-for-sale financial assets (AFS)

Accounting Policies

Available-for-sale financial assets are subsequently measured at fair value and the resulting unrealised gains and losses arising from changes in the fair value are recognised in Other Comprehensive Income (available-for-sale reserve). When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement.

The fair values of quoted shares are based on current bid prices at the end of the reporting period.

Dividend income is recognised in the Income Statement when the Group becomes entitled to receive the dividend.

Accounting Estimate - Assessment of Impairment

The Group assesses at each reporting date whether there is any objective evidence that an asset or a group of assets is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period for which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, is removed from Other Comprehensive Income (available-for-sale reserve)

Carrying Value of Available-for-Sale Financial Asset

	Group					Company				
	No. of Shares	Market Value 2014	Total Cost	Fair Value		No. of Shares	Market Value 2014	Total Cost	Fair Value	
As at 31st March		(Per Share)	Rs. '000	2014 Rs. '000	2013 Rs. '000		(Per Share)	Rs. '000	2014 Rs. '000	2013 Rs. '000
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	48.10	14	44	47	450	48.10	7	22	24
Hatton National Bank PLC (non-voting)	33,943	120.00	700	4,073	4,474	33,943	120.00	700	4,073	4,474
Ceylinco Insurance PLC (non-voting)	1,700	415.00	298	706	556	1,700	415.00	298	706	556
			1,012	4,823	5,077			1,005	4,801	5,054

All investments in available-for-sale financial assets are denominated in Sri Lankan Rupees

4.15 Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories that are not interchangeable are recognized by using specific identification of their individual cost and other inventories are based on weighted average cost formula. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition but excluding borrowing cost.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Goods-in-transit are recognised at purchase cost.

Carrying Value of Inventories

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Stock-in-trade	4,303,732	3,930,259	4,221,759	3,895,507
Work-in-progress (at cost)	122,814	106,467	89,312	52,708
Provision for slow moving inventories (Note 4.15.1)	(252,423)	(340,028)	(244,624)	(328,375)
	4,174,123	3,696,698	4,066,447	3,619,840
Goods-in-transit	693,518	445,208	689,497	435,718
Total inventories at the lower of cost and net realisable value	4,867,641	4,141,906	4,755,944	4,055,558

4.15.1 Movement in Provision for Slow Moving Inventories

	Group		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	340,028	208,967	328,375	205,782
Provision for/ (reversal of) slow moving inventories	(87,605)	131,061	(83,751)	122,593
At the end of the year	252,423	340,028	244,624	328,375

4.16 Trade and Other Receivables

Accounting Policies

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Accounting Estimate - Provision for Impairment

The Group/Company considers evidence of impairment for receivables at both specific asset level and at collective level. All individually significant receivables are assessed for specific impairment by considering objective evidences i.e. Experiencing a significant financial difficulty or default in payments by a customer. Receivables that are not individually assessed are then collectively assessed for any impairment by grouping receivables together with similar risk characteristics.

In assessing collective impairment, the Group/Company uses historical trends of the probability of default, the timing of recoveries, and the amount of losses incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested historical trends.

Specific Accounting Policies and Notes

Carrying Value of Trade and Other Receivables

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade receivables	2,968,878	2,329,280	2,284,433	1,868,141
Provision for impairment (Note 4.16.1)	(242,677)	(261,952)	(200,886)	(232,800)
	2,726,201	2,067,328	2,083,547	1,635,341
Other receivables	16,672	18,787	16,448	18,660
Carrying value	2,742,873	2,086,115	2,099,995	1,654,001

4.16.1 Movement in Provision for Impairment of Trade Receivables

	Group		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	261,952	404,492	232,800	355,467
Reversal of impairment loss	(19,275)	(142,540)	(31,914)	(122,667)
At the end of the year	242,677	261,952	200,886	232,800

4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Not due	1,837,842	1,446,388	1,390,909	1,177,492
Due but not impaired				
Between 61 days to - 180 days	623,581	368,730	531,999	287,861
Between 181 days to - 365 days	198,094	163,544	125,424	101,672
Over 365 days	66,684	88,666	35,215	68,316
Net trade receivables - maximum exposure to credit risk	2,726,201	2,067,328	2,083,547	1,635,341
Provision for impairment	242,677	261,952	200,886	232,800
Gross trade receivables	2,968,878	2,329,280	2,284,433	1,868,141

With respect to trade receivables as at the reporting date, past due but not impaired, based on credit history, there are no indications that customer will not be able to meet their obligations. No indication of default are identifiable for trade receivables that are neither past due nor impaired.

4.16.3 Carrying amount of trade receivables are denominated in the following currencies.

	Group		Company	
	2014	2013	2014	2013
	Rs'000	Rs'000	Rs'000	Rs'000
Currency				
Sri Lankan Rupees	2,518,329	1,745,605	1,916,723	1,382,491
USD	119,040	273,485	113,690	239,116
Euro	59,056	46,084	25,942	11,580
Japanese Yen	27,181	549	26,684	549
Other	2,595	1,605	508	1,605
	2,726,201	2,067,328	2,083,547	1,635,341

4.16.4 Trade debtors jointly with inventories are pledged as security for short-term borrowings up to a limit of Rs.95 mn (2012/13 - Rs. 95 mn).

4.16.5 Terms of Trade and Other Receivables

Trade and other receivables are non-interest-bearing and are expected to be received before 60 days.

4.17 Other Current Assets

Accounting Policies

The Group/Company classifies all non financial current assets under other current assets. Other current assets mainly comprises of advances, deposits, prepayments and current portion of the lease rentals paid in advance.

Advances and deposits are carried at historical value less provision for impairment. Prepayments are amortised over the period during which it is utilised and carried at historical value less amortisation charge and any impairment.

Carrying Value of Other Current Assets

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits and prepayments	305,417	198,410	279,168	171,424
Lease rentals paid in advance - (Note 4.10)	2,205	2,205	2,205	2,205
Other receivables	113,464	5,779	110,479	4,457
	421,086	206,394	391,852	178,086

4.18 Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents comprise of cash balances, investments in short-term deposits with an original maturity of three months or less. Cash and Bank balances are stated at recoverable values. Short-term deposits are stated at recoverable value of the deposit. There were no cash and cash equivalents held by the Group companies that were not available for use.

Bank overdrafts and short-term borrowings that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Carrying Value of Cash and Cash Equivalents

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank balances	118,057	225,859	115,336	159,998
Investment in fixed deposits	896,250	436,366	896,250	436,366
Cash in hand	24,481	19,853	22,220	18,792
	1,038,788	682,078	1,033,806	615,156

Review of Credit & Interest Rate Risks

The Group's cash and cash equivalents comprise of bank balances and fixed deposits which are invested in commercial banks and does not bear a credit risk.

Fixed deposits have been placed with the maturity period less than three months and carrying a fixed rate of interest. Investments in fixed deposits are made for varying periods of between one month to three months.

Specific Accounting Policies and Notes

4.18.1 Carrying amount of cash and cash equivalents are denominated in the following currencies.

	Group		Company	
	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Currency				
Sri Lankan Rupees	179,872	533,561	177,575	532,394
USD	855,219	77,831	852,707	30,479
Euro	278	62,001	105	43,598
Yen	3,419	8,685	3,419	8,685
	1,038,788	682,078	1,033,806	615,156

4.19 Stated Capital

	Company			
As at 31st March	2014		2013	
	No. of Shares	Rs. '000	No. of Shares	Rs. '000
Ordinary Shares				
Issued and Fully-paid Ordinary Shares				
At the end of the year	8,876,437	425,297	8,876,437	425,297

4.20 Revenue Reserve

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	5,191,118	5,000,566	4,701,223	4,616,945
Dividend	(88,764)	(244,102)	(88,764)	(244,102)
Total comprehensive income				
Income Statement				
Profit for the year	393,541	454,087	279,919	344,895
Other Comprehensive Income				
Actuarial loss arising from employees benefits (Net of tax)	(18,196)	(20,733)	(16,810)	(17,819)
Net Changes in fair value of financial assets available-for-sale	(255)	1,300	(253)	1,304
At the end of the year	5,477,444	5,191,118	4,875,315	4,701,223

4.21 Long-term and Short-term Borrowings

Accounting Policies

Borrowings are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (Net of transaction cost) and the repayable amount (including interest) is recognised in the Income Statement over the period of the loan using effective interest method.

4.21.1 Carrying Value of Long-term Borrowings

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
a. Non-current portion of the long-term borrowings				
Term loans (Note 4.21.1.1)	1,499,763	540,243	1,499,763	540,243
Total non-current long-term borrowings	1,499,763	540,243	1,499,763	540,243
b. Current portion of the long-term borrowings				
Term loans (Note 4.21.1.1)	333,080	229,960	333,080	229,960
Total current portion of long-term borrowings	333,080	229,960	333,080	229,960

4.21.1.1 Movement and Classification of Long-term Borrowings

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
At the beginning of the year	770,203	1,000,163	770,203	1,000,163
Loans obtained during the year	1,292,600	-	1,292,600	-
Repayments during the year	(229,960)	(229,960)	(229,960)	(229,960)
At the end of the year	1,832,843	770,203	1,832,843	770,203
Classified as current liabilities (repayable within one year)	333,080	229,960	333,080	229,960
Classified as long-term loans (repayable after one year)	1,499,763	540,243	1,499,763	540,243

4.21.1.2 Principal Amounts of Long-term Borrowings

		Company				
Lender	Currency	2014 Rs. '000	2013 Rs. '000	Balance Outstanding as at 31.03. 2014	Secured	Repayments Tenure
Commercial Bank of Ceylon PLC	LKR	400,000	400,000	156,910	✓	Repayable in 120 Instalments commenced from February 2008
Hatton National Bank PLC	LKR	200,000	200,000	-	-	Repayable in 60 Instalments commenced from March 2009
DFCC Bank	LKR	250,000	250,000	108,333	-	Repayable in 60 Instalments commenced from June 2011
Bank of Ceylon	LKR	500,000	500,000	275,000	-	Repayable in 60 Instalments commenced from January 2012
DFCC Bank	LKR	500,000	-	500,000	-	Repayable in 60 Instalments commenced from April 2014
HSBC Bank	USD	792,600	-	792,600	-	Repayable in 60 Instalments commenced from December 2014
Total		2,642,600	1,350,000	1,832,843		

Details of land which were pledged against above bank loan facilities are disclosed in Note 4.9.3.

Specific Accounting Policies and Notes

4.21.1.3 Analysis of Long-Term Borrowings by the year of Repayment

		Commercial Bank of Ceylon PLC	Hatton National Bank PLC	DFCC Bank	Bank of Ceylon	HSBC Bank	Total 2014	Total 2013
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs'000	Rs. '000	Rs. '000
Movement of Loans								
Balance at the beginning of the year		196,870	40,000	158,333	375,000	-	770,203	1,000,163
Loans obtained during the year		-	-	500,000	-	792,600	1,292,600	-
Repayments during the year		(39,960)	(40,000)	(50,000)	(100,000)	-	(229,960)	(229,960)
Balance at the end of the year		156,910	-	608,333	275,000	792,600	1,832,843	770,203
Analysis of Long-Term Borrowings by Period of Repayment								
Repayable	- within 6 months from year end	19,980	-	75,000	50,000	-	144,980	114,980
	- between 6 months and 1 year	19,980	-	75,000	50,000	43,120	188,100	114,980
	- between 2 and 5 years from year end	116,950	-	458,333	175,000	749,480	1,499,763	540,243
	- later than 5 years from year end	-	-	-	-	-	-	-
		156,910	-	608,333	275,000	792,600	1,832,843	770,203

4.21.2 Short-Term Borrowings

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short-term bank loans	3,835,720	2,284,352	3,762,535	2,204,731
Bank overdrafts	281,563	363,245	201,710	313,495
	4,117,283	2,647,597	3,964,245	2,518,226

Unutilised bank facilities as at 31st March 2014 amounted to Rs.6,325 mn (2013 - Rs. 9,233 mn).

Short-term bank loans are repayable within a period of six months and details of inventories and book debts which were pledged against above short-term loan facilities are disclosed in Note 4.16.4

4.22 Employee Benefits

Accounting Policies

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed determinable contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. The contributions made are expensed to the Income Statement as and when the contributions are made.

Defined benefit obligations

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees. Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS -19 on 'Employee Benefits'.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date. The calculation is performed annually by a qualified actuary using the projected unit credit method (PUC). Any actuarial gains and losses arising are recognised immediately in Other Comprehensive Income. The discount rate has been derived considering the yield of government bonds.

The liability is not externally funded.

Accounting Estimates

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, and mortality rates. Due to the long term nature of these obligation, such estimates are subject to significant uncertainty.

Carrying Value of Defined Benefit Obligation

	Group		Company	
As at 31st March	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Present value of unfunded obligation	349,642	287,046	332,521	273,471
At the beginning of the year	287,046	224,434	273,471	216,824
Current service cost	25,795	19,745	23,135	17,908
Interest cost	30,140	23,566	28,715	22,767
Actuarial loss	25,272	28,796	23,347	24,748
Paid during the year	(18,611)	(9,495)	(16,147)	(8,776)
At the end of the year	349,642	287,046	332,521	273,471

4.22.1 Defined Benefit Obligation Recognised in Total Comprehensive Income

	Group		Company	
As at 31st March	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Income Statement				
Current service cost	25,795	19,745	23,135	17,908
Interest cost	30,140	23,566	28,715	22,767
	55,935	43,311	51,850	40,675
Other Comprehensive Income				
Actuarial loss	25,272	28,796	23,347	24,748
	25,272	28,796	23,347	24,748
Total charge for the year	81,207	72,107	75,197	65,423

Specific Accounting Policies and Notes

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st March 2014.

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer:

	2014 %	2013 %
Rate of discount	10.5	10.5
Salary escalation rate	10	10

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by the Institute of Actuaries, London.

Normal retirement age of an executive employee is assumed to be 60 years while a non-executive employee is assumed to retire at the age of 55 years.

The current service cost for the year under review is included under Administration Expenses.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of five years of continuous service. The liability as required by the Payment of Gratuity Act for the Group and the Company as at 31st March 2014 amounted to Rs. 330 mn and Rs. 316 mn respectively.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected defined benefit obligation by the amounts shown below.

	Defined Benefit Obligation			
	Group		Company	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Rate of discount (1% movement)	13,676	14,724	12,700	13,858
Salary escalation rate (1% movement)	16,004	15,107	15,070	14,055

4.23 Deferred Tax

Accounting Policies

Deferred tax is provided using liability method on temporary differences as at the reporting date between the tax written down value and their carrying amounts in financial reporting, for Company and Group.

Deferred tax provision is calculated by applying on the temporary difference, the income tax rate that is applicable at the time of reversal. In the absence of the availability of the income tax rate applicable on the reversal date, the income tax rate applicable on the reporting date is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

Accounting Estimate - Judgement Used

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Carrying Value of Deferred Tax Assets/(Liabilities)

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	14,358	(28,357)	14,601	(27,252)
(Origination)/reversal of temporary differences to Income Statement	(51,341)	34,652	(50,070)	34,924
Reversal of temporary differences to Other Comprehensive Income	7,076	8,063	6,537	6,929
At the end of the year (Note 4.23.1)	(29,907)	14,358	(28,932)	14,601

4.23.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Deferred Tax Liability				
Temporary difference arising from property, plant & equipment	(539,566)	(345,444)	(516,741)	(330,999)
Total temporary difference of deferred tax liability	(539,566)	(345,444)	(516,741)	(330,999)
Closing deferred tax liability @ 28%	(151,079)	(96,724)	(144,688)	(92,679)

As at 31st March	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Deferred Tax Assets				
Temporary difference arising from defined benefit obligations	349,642	287,048	332,521	273,470
Temporary difference arising from tax losses	2,221	-	-	-
Temporary difference arising from deferred free service income and warranty provision	80,892	109,674	80,892	109,674
Total temporary difference of deferred tax asset	432,755	396,722	413,413	383,144
Closing deferred tax assets @ 28%	121,172	111,082	115,756	107,280
Net temporary differences	(106,811)	51,278	(103,328)	52,145
Net deferred tax (liability)/asset	(29,907)	14,358	(28,932)	14,601

4.23.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group				Company			
	Balance as at 01.04.2013 Rs. '000	Recognised in Income Statement Rs. '000	Recognised in Other Comprehensive Income	Balance as at 31.03.2014 Rs. '000	Balance as at 01.04.2013 Rs. '000	Recognised in Income Statement Rs. '000	Recognised in Other Comprehensive Income Rs. '000	Balance as at 31.03.2014 Rs. '000
Property, plant & equipment - Deferred tax liability	(96,724)	(54,355)	-	(151,079)	(92,680)	(52,008)	-	(144,688)
Retirement benefit obligation - Deferred tax asset	80,373	10,452	7,076	97,901	76,572	9,998	6,537	93,107
Tax loss-Deferred tax asset	-	622	-	622	-	-	-	-
Deferred free service and warranty provision - Deferred tax assets	30,709	(8,060)	-	22,649	30,709	(8,060)	-	22,649
	14,358	(51,341)	7,076	(29,907)	14,601	(50,070)	6,537	(28,932)

Specific Accounting Policies and Notes

4.24 Deferred income

Accounting Policies

Undelivered free services relating to vehicle sales

The Company sells vehicles bundled with free services to the customers with warranty limitations on mileage or usage period. The unprovided free services are deferred at the time of selling the vehicles at its relative fair value and recognised as revenue when the recognition criteria are fulfilled i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

Accounting Estimate

Relative fair value of free services

The amount charged by the service provider in respect of each service is recognised as the relative fair value of free services. These amounts are estimated using the combination of historical experience in service and price changes.

Carrying Value of Deferred Income

	Group		Company	
As at 31 March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	140,312	179,769	77,311	147,809
Income deferred during the year	329,079	148,528	149,292	90,211
Income amortised during the year	(378,373)	(187,985)	(168,912)	(160,709)
At the end of the year	91,018	140,312	57,691	77,311

4.25 Provisions and Contingent Liabilities

Accounting Policies

Provisions

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset when the reimbursement is certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are calculated based on the historical experience and the specific terms in the individual cases. The Group arrives at an estimate on the basis of an evaluation of the most likely outcome.

All known provisions have been accounted for in preparing the Financial Statements.

Provisions for extended warranty

The Company may offer extended warranties on vehicles on its own account in certain circumstances. The extended warranty is provided by giving a warranty period that goes beyond the warranty provided by manufacturers.

A provision for warranty is recognised when the underlying products are sold. The quantum of the provision is based on the historical experience. The said extended warranty provision will be reversed upon expiration of warranty period.

Accounting Estimate

The Management considers likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

As at 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Provision for litigation claims	11,000	-	11,000	-
Provisions for extended warranty	29,062	26,622	29,062	26,622
	40,062	26,622	40,062	26,622

Contingent liabilities

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured. Further, provisions for which no reliable estimate can be made are disclosed as contingent liabilities.

Currently the Group/Company is involved in pending litigations and claims arising out of the normal conduct of the business. Group/Company does not expect the pending litigations and claims, individually and in aggregate, to have a material impact on Group's financial position, operating profit of cash flow in addition to amounts accrued as provision for legal disputes. Disclosure relating to contingencies are setout in Note 5.2.

4.26 Trade payables

Accounting Policies

Trade payables are obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Generally trade payables are due within ninety days.

Carrying Value of Trade Payables

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Trade payables	1,208,337	843,044	1,129,614	792,718

4.26.1 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Company as at the year-end was 0.70:1 (in 2012/13 - 0.72:1). As a liquidity risk management measure, the entities continually compare trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

The trade payables of the Group include an amount of Rs. 693.5 million as bills payable corresponding to goods shipped but not received (Goods-in-Transit). At the time of settlement of such bills, entities will obtain short-term loans to cover the working capital cycle period of the imports.

Unutilised banking facilities are given in Note 4.21.2

Specific Accounting Policies and Notes

4.27 Other Current Liabilities

Accounting Policies

Group classifies all non financial current liabilities under other current liabilities. Other current liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

Carrying Value of Other Current Liabilities

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Advances received	12,367	124,185	12,367	124,185
Interest payable	6,568	8,035	6,568	8,035
Unclaimed dividend	6,025	6,503	6,025	6,503
Value Added Tax (VAT)	3,882	10,583	-	5,269
Other payables and accrued expenses	398,117	334,980	375,513	318,262
	426,959	484,286	400,473	462,254

4.27.1 Terms of Settlement of Other Current Liabilities

Other current liabilities are non-interest bearing and are payable within three months excluding advances and unclaimed dividends. Advances received are expected to be set-off within three months.

4.28 Current Tax Assets and Liabilities

Current tax assets are recognised at historical value less impairment. Income tax liabilities are recorded at the amounts expected to be paid.

Carrying Value of Current Tax Asset/(Liability)

	Group		Company	
As at 31st March	2014	2013	2014	2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	67,081	(128,276)	102,176	(105,032)
Current tax for the year (Note 4.6)	(67,976)	(70,586)	-	(21,610)
	(895)	(198,862)	102,176	(126,642)
Tax paid during the year:				
Current tax & WHT	87,751	265,943	5,737	228,818
	87,751	265,943	5,737	228,818
Current tax asset/(liability)	86,856	67,081	107,913	102,176
Made up as follows:				
Current tax asset	107,913	103,550	107,913	102,176
Current tax liability	(21,057)	(36,469)	-	-
	86,856	67,081	107,913	102,176

4.29 Amounts Due (to)/ from Subsidiaries

Name of the Company	Dimo (Pvt) Ltd.	Dimo Industries (Pvt) Ltd.	Dimo Travels (Pvt) Ltd.	As at	As at
Shareholding	100%	100%	100%	31.03.2014	31.03.2013
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance due to subsidiaries	(147,397)	(9,388)	(327)	(157,112)	(98,617)
Sale of goods and services	51,356	-	-	51,356	12,260
Purchase of goods and services	(267,178)	-	-	(267,178)	(56,387)
Expenses incurred on behalf of subsidiaries	38,491	39,856	-	78,347	64,623
Fund transfers - net	99,565	26,000	155	125,720	(78,991)
Closing balance due (to) /from subsidiaries	(225,163)	56,468	(172)	(168,867)	(157,112)

4.29.1 Amounts Due (to)/ from Subsidiaries comprises with:

	Company	
As at 31st March	2014	2013
	Rs. '000	Rs. '000
Amount due from subsidiaries	56,468	-
Amount due to subsidiaries	(225,335)	(157,112)
Amount due (to)/from subsidiaries	(168,867)	(157,112)

SECTION 5
Other Disclosures

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standard.

5.1 Related Party Disclosures

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', the details of which are reported below:

5.1.1 (a) Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMPs. As the Company is the ultimate parent of the subsidiaries (listed in Note 2.3), the Board of Directors of the Company has the authority and responsibility for planning or controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company (Executive & Non-Executive) are KMPs of the Group.

Officers who are employees of Diesel & Motor Engineering PLC and Directors of the subsidiaries and not of the Company have been classified as KMPs of the respective subsidiary only.

5.1.1 (b) The Compensation Paid to Key Management Personnel - (KMPs)

The Executive Directors are entitled to a structured incentive scheme which is linked to performance.

The Company contributes towards a post-employment contribution plan for the Executive Directors. In addition to their salaries, the Company provides non-cash benefits to KMPs.

There are no share-based payments made to the Directors during the year.

No Loans were granted to KMPs of the Company.

Compensation to Key Management Personnel of the Company are as follows:

	Group		Company	
For the year ended 31st March	2014 Rs. '000	2013 Rs. '000	2014 Rs. '000	2013 Rs. '000
Short-term employment benefits	173,211	159,847	159,273	149,827
Post-employment benefits	41,434	43,267	39,111	41,011
Total compensation applicable to key management personnel	214,645	203,114	198,384	190,838

The Company also has an obligation towards a post-employment benefit plan for the Executive Directors. The liability arising from the post-employment obligation has been provided for, based on an actuarial valuation and is covered under Employee Benefits referred to in Note 4.22 to the Financial Statements.

5.1.1 (c) Transactions with Close Family Members of KMPs

Close family members are defined as spouse or dependant. Dependant is defined as any one who depends on the respective Director for more than 50% of his/her financial needs.

There were no transactions with the close family members during the year.

5.1.2 *Transactions with Companies Significantly Influenced by Key Management Personnel (KMP)*

Mr. A.M. Pandithage who is a Director of the Company is also the Chairman of Hayleys PLC.

The balances due to and due from Hayleys Group as at 31st March 2014 are as follows:

	Group	
As at 31st March	2014	2013
	Rs. '000	Rs. '000
Balance due to Hayleys Group	-	-
Balances due from Hayleys Group	2,110	1,674

Transactions during the year with the Hayleys Group:

	Group	
For the year ended 31st March	2014	2013
	Rs. '000	Rs. '000
Goods and services purchased from Hayleys Group	21,906	25,681
Goods and services sold to Hayleys Group	30,728	42,633

Terms and Conditions of Transactions with the companies on which KMPs have Significant Influence

Outstanding balances at the year-end relating to the Companies on which KMPs have significant influence are unsecured, interest free, and all related-party dues are on demand. There have been no guarantees provided or received for any related party receivables or payables for the year ended 31st March 2014. The Group has not recorded any impairment of receivables relating to amounts owed by related parties (2013 - Rs. Nil).

5.1.3 *Transactions with Group entities*

The Company has carried out transactions with Group entities in the Ordinary course of business. The details are set out in Note 4.29.

5.2 Commitments and Contingencies

Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amount to approximately Rs.824.2mn (2012/13 - Rs. 2,101.4 mn).

Contingencies

Guarantees

The contingent liabilities as at 31st March 2014 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 753.9 mn (2012/13 - Rs. 731.7 mn).

Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2014 amount to Rs. 41.2 mn (2013 - Rs. 37.9 mn). Although, there can be no assurance, the Directors believe, based on the information currently available that the ultimate resolution of such lawsuits are not likely to have a material effect on the results of operations, financial position or liquidity.

5.3 Comparative Information

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

5.4 Events Occurring After the Reporting Period

Subsequent to the reporting date, the Board of Directors of the Company approved a first & final dividend of Rs. 10.00 per share for the year ended 31st March 2014. Details of the above dividend are disclosed in Note 4.8.1 to the Financial Statements.

There were no other material events that occurred after the reporting date that require adjustments to or disclosure in the Financial Statements.