

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

The Group comprises the following main business segments:

Segment	Products & Services
Vehicles	- Sale of brand new Passenger Vehicles, 4WD Vehicles, Commercial Vehicles, Special Purpose Vehicles and Pre-owned Passenger Vehicles.
Vehicle Parts & Services	- Repair of Passenger & Commercial Vehicles, Sale of Vehicle Spare Parts, Accessories, Components, Tyres and Retreaded tyres.
Lighting & Power Tools	- Sale of Power Tools & Accessories, Lamps, Lighting Fittings and Lighting Accessories.
Construction & Material Handling Machinery	- Sale & Service of Earth Moving Machinery, Road Construction Machinery, Fork-Lifts, Material Handling Machinery, Racking Systems, Agri Machinery, Pumps and Dock Levellers.
Electro Mechanical & Bio Medical Engineering	- Sale & Service of Telecommunication Equipment, Medical Equipment, Generating Sets, Turbines, UPS Equipment, Diesel Engines for Marine Propulsion, Rail Traction, Building Technologies, Industrial Refrigeration Power Engineering.

	Vehicles		Vehicle Parts & Services		Lighting & Power Tools		Construction & Material Handling Machinery		Electro Mechanical & Bio Medical Engineering		Total	
For the year ended 31st March	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Business Segment Turnover & Results												
Total segment revenue	4,924,323	8,838,398	2,446,458	2,430,439	488,043	421,211	1,394,437	1,069,614	617,745	532,577	9,871,005	13,292,239
Inter-segment revenue	180,139	434,402	211,276	64,757	34,259	458	57,441	51,906	113,787	53,427	596,902	604,950
Total external revenue	4,744,184	8,403,996	2,235,182	2,365,682	453,784	420,753	1,336,996	1,017,708	503,957	479,150	9,274,103	12,687,289
Segment results	339,690	602,847	463,768	368,775	81,076	61,805	155,111	91,869	89,772	73,119	1,129,417	1,198,415
Unallocated income	-	-	-	-	-	-	-	-	-	-	68,023	37,900
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(442,340)	(377,010)
Finance cost - net	-	-	-	-	-	-	-	-	-	-	(599,902)	(518,143)
Share of profit/(loss) of equity accounted investee	-	-	-	-	-	-	-	-	-	-	(177)	3,282
Income tax expense	-	-	-	-	-	-	-	-	-	-	(65,577)	(139,351)
Profit for the year	-	-	-	-	-	-	-	-	-	-	89,444	205,093
Business Segment Assets & Liabilities												
Segment assets	1,309,766	2,411,710	1,203,789	975,269	208,955	158,403	363,276	612,617	297,751	269,308	3,383,537	4,427,307
Investment in equity accounted investee	-	-	-	-	-	-	-	-	-	-	24,833	25,011
Unallocated assets	-	-	-	-	-	-	-	-	-	-	1,854,804	1,378,840
Total assets	1,309,766	2,411,710	1,203,789	975,269	208,955	158,403	363,276	612,617	297,751	269,308	5,263,174	5,831,158
Segment liabilities	978,157	2,061,305	441,855	661,636	145,701	399	108,925	26,277	53,306	290,722	1,727,944	3,040,339
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	1,530,385	1,133,668
Total liabilities	978,157	2,061,305	441,855	661,636	145,701	399	108,925	26,277	53,306	290,722	3,258,329	4,174,007
Business Segment other Information												
Capital expenditure	30,781	64,573	7,723	424,829	1,297	335	997	1,960	15,449	12,904	56,247	504,601
Depreciation	14,683	12,231	35,540	32,936	793	603	6,028	7,799	7,153	5,340	64,197	58,909
Non-cash expenses other than depreciation	15,818	3,909	16,371	17,067	1,220	1,808	18,871	9,704	10,270	5,716	62,550	38,204

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March	Vehicles		Vehicle Parts & Services		Lighting & Power Tools		Construction & Material Handling Machinery		Electro Mechanical & Bio Medical Engineering		Total	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Business Segment Cash Flow												
Operating activities	781,543	520,340	39,835	477,815	37,889	135,600	176,931	106,374	43,565	(12,527)	1,079,763	1,227,602
Investing activities	(30,781)	(64,573)	(7,723)	(424,829)	(1,297)	(335)	(997)	(1,960)	(15,615)	(12,904)	(56,247)	(504,601)
Unallocated Cash Flows												
Common expenses											(324,473)	(517,620)
Income taxes paid											(140,804)	(201,849)
Proceeds from disposal of property, plant & equipment											41,396	25,424
Investment shares											(298)	–
Proceeds from disposal of shares											75,684	–
Dividends received											1,713	1,913
Interest received											1,519	637
Acquisition of construction of property, plant & equipment											(61,850)	(49,410)
Acquisition of Company's own shares											(543,618)	–
Proceeds from long-term loan											350,000	400,000
Repayment of long-term loan											(181,826)	(146,863)
Dividends paid											(30,250)	(54,450)
Net increase/(decrease) in cash & cash equivalents											210,709	180,783

Figures in brackets indicate outflows.

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Segment results, assets and liabilities include those items directly attributable to a segment as well as those that can be allocated to the segment on a reasonable basis. Considering activities of the operations, segment information based on geographical segments does not arise.

The presentation of segmentation is based on the nature of product line in the context of its domain.

2. OTHER INCOME

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Gain on disposal of property, plant & equipment	16,998	10,685	16,901	10,709
Sundry income	9,303	22,663	10,031	20,543
Hiring income	7,002	4,552	7,002	4,552
Gain on disposal of investment	34,720	–	34,720	–
	68,023	37,900	68,654	35,804

NOTES TO THE FINANCIAL STATEMENTS

3. NET FINANCE COST

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Finance Income				
Dividend income	1,713	1,913	1,713	1,913
Interest income	1,519	637	1,017	354
Gain on translation of foreign currency	1,386	–	1,372	–
	4,618	2,550	4,102	2,267
Finance Costs				
Interest on long-term borrowings	(124,182)	(67,915)	(124,182)	(67,915)
Interest on short-term borrowings	(472,697)	(446,835)	(424,424)	(392,938)
Interest on finance lease	(2,523)	(3,073)	(2,523)	(3,073)
Loss on translation of foreign currency	(5,118)	(2,870)	–	(8,240)
	(604,520)	(520,693)	(551,129)	(472,166)
Net finance cost	(599,902)	(518,143)	(547,027)	(469,899)

4. PROFIT BEFORE TAXATION

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
4.1 Profit before taxation is stated after charging/ (crediting) all expenses/income including the following:				
Directors' emoluments	48,776	39,123	42,145	36,611
Auditors' remuneration				
- Statutory Audit	1,352	1,180	1,080	950
- Audit related services	433	145	232	145
- Non-Audit services	625	766	625	537
Depreciation on property, plant & equipment	97,916	84,244	88,250	77,029
Amortisation	782	139	782	139
Impairment loss on property, plant & equipment	6,594	–	6,594	–
Provision for fall in value of investment in joint venture	–	–	6,677	–
Amortisation of deferred income	(915)	(1,996)	(915)	(1,996)
Legal fees	9,597	13,251	9,277	12,625
Provision for bad & doubtful debts	59,053	6,194	50,327	2,466
Provision for slow moving inventories	19,015	9,548	18,493	7,365
Donations	860	628	787	628
Staff expenses (Note 4.2)	575,143	593,330	496,654	526,788

4.2 Staff Expenses

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Defined contribution plan costs (EPF & ETF)	58,698	53,222	50,640	46,769
Defined benefit plan costs (Retiring gratuity)	28,863	27,996	26,683	27,168
Training expenses	14,810	20,135	7,765	14,652
Other staff costs	472,772	491,977	411,566	438,199
	575,143	593,330	496,654	526,788
Average number of employees for the year	869	866	731	761

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

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Current Tax Expense				
Current year				
- Company	44,202	123,646	44,202	123,646
- Subsidiaries	17,592	5,427	-	-
	61,794	129,073	44,202	123,646
Under provision in respect of previous year	2,596	-	2,231	-
	64,390	129,073	46,433	123,646
Deferred Tax Expense				
Origination and reversal of temporary differences	1,187	10,278	325	9,663
Total income tax expense	65,577	139,351	46,758	133,309

5.1 Reconciliation of Accounting Profit to Income Tax Expense

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Profit before tax	155,021	344,444	107,879	327,978
Share of profit of equity accounted investee	177	(3,282)	-	-
Tax loss for the year	6,154	3,476	-	-
Disallowable expenses	174,213	149,277	165,410	142,251
Capital allowances	(104,062)	(112,431)	(93,024)	(104,175)
Allowable expenses	(13,936)	(8,989)	(12,248)	(8,909)
Income not liable to tax	(42,505)	(3,908)	(42,476)	(3,908)
Taxable income	175,062	368,587	125,541	353,237
Income tax thereon				
Tax at 15%	294	908	294	908
Tax at 35%	60,587	126,887	43,255	121,514
Social Responsibility Levy (SRL) at 1.5%	913	1,278	653	1,224
Current tax expense	61,794	129,073	44,202	123,646
Tax Losses				
At the beginning of the year	9,443	5,967	-	-
For the year	6,154	3,476	-	-
Adjustment to tax loss brought forward	4,264	-	-	-
At the end of the year	19,861	9,443	-	-

The income tax has been computed in accordance with the Inland Revenue Act No. 10 of 2006. The Companies within the Group are liable to income tax at 35%. The tax on export profit is 15%. The Social Responsibility Levy is 1.5% of the income tax.

NOTES TO THE FINANCIAL STATEMENTS

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to the ordinary shareholders 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.

	Consolidated	
	2008/09	2007/08
Profit attributable to ordinary shareholders (Rs. '000)	89,444	205,093
Weighted average number of ordinary shares (Refer 'A' below)	9,551,792	12,100,000
Basic earnings per ordinary share (Rs.)	9.36	16.95
Diluted earnings per ordinary share (Rs.)	9.36	16.95
A. Weighted average number of ordinary shares		
Qualifying ordinary shares at the beginning of the year	12,100,000	12,100,000
Acquisition of Company's own shares	(3,397,611)	-
Qualifying ordinary shares at the end of the year	8,702,389	12,100,000
Weighted average number of ordinary shares at the year end	9,551,792	12,100,000

There were no potentially dilutive ordinary shares outstanding at any time during the year/previous year.

7. DIVIDENDS

	Company	
	2008/09 Rs. '000	2007/08 Rs. '000
Interim paid (2007/08 - Rs. 1.50 per share)	-	18,150
Final proposed - Rs. 3/- per share (2007/08 - Rs. 2.50)	26,107	30,250
	26,107	48,400
Dividends (inclusive of proposed dividend) per share (Rs.)	3.00	4.00

Directors declared a First & Final dividend of Rs. 3/- per share for the year ended 31st March 2009 (2007/08 - Rs. 1.50 per share - interim & Rs. 2.50 per share - final). In accordance with the SLAS 12 (Revised 2005) on events after the Balance Sheet date, the proposed dividend is not recognised as a liability in the Financial Statements as at the year end.

NOTES TO THE FINANCIAL STATEMENTS

8. PROPERTY, PLANT & EQUIPMENT

	Freehold Land	Buildings & Premises	Plant & Machinery	Tools & Implements	Motor Vehicles	Leased Motor Vehicles	Computer Hardware & Software	Electrical Fixtures, Fittings, & Office Equipment	31.03.2009	Total 31.03.2008
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
a. Consolidated										
Cost or Valuation										
Balance at the beginning	550,199	573,136	175,958	116,185	168,826	6,825	98,072	141,832	1,831,033	1,312,039
Additions	–	16,054	34,313	6,580	32,266	–	7,054	21,830	118,097	554,483
Surplus of Revaluation	824,090	–	–	–	–	–	–	–	824,090	–
Disposals	–	–	(850)	–	(40,237)	–	(229)	(1,759)	(43,075)	(35,489)
Balance at the year end	1,374,289	589,190	209,421	122,765	160,855	6,825	104,897	161,903	2,730,145	1,831,033
Depreciation										
Balance at the beginning	–	51,302	69,541	81,816	86,177	2,116	69,605	78,604	439,161	375,667
Charge for the year	–	19,298	11,945	14,038	28,624	1,466	12,878	9,667	97,916	84,244
On disposals	–	–	(850)	–	(16,072)	–	(203)	(1,551)	(18,676)	(20,750)
Balance at the year end	–	70,600	80,636	95,854	98,729	3,582	82,280	86,720	518,401	439,161
Impairment										
Impairment loss	–	–	6,594	–	–	–	–	–	6,594	–
Accumulated depreciation and impairment	–	70,600	87,230	95,854	98,729	3,582	82,280	86,720	524,995	439,161
Capital work-in-progress									429	238
Carrying amount as at the end of the year	1,374,289	518,590	122,191	26,911	62,126	3,243	22,617	75,183	2,205,579	1,392,110
b. Company										
Cost or Valuation										
Balance at the beginning	550,199	546,410	149,395	104,276	164,619	6,825	88,040	130,212	1,739,976	1,242,152
Additions	–	16,054	26,248	5,017	32,177	–	5,922	16,816	102,234	531,698
Revaluation	824,090	–	–	–	–	–	–	–	824,090	–
Disposals	–	–	(850)	–	(40,128)	–	(229)	(1,743)	(42,950)	(33,874)
Balance at the year end	1,374,289	562,464	174,793	109,293	156,668	6,825	93,733	145,285	2,623,350	1,739,976
Depreciation										
Balance at the beginning	–	48,878	65,034	74,514	82,977	2,116	62,775	74,169	410,463	353,506
Charge for the year	–	18,429	9,363	11,601	28,166	1,466	10,954	8,221	88,200	77,029
On disposals	–	–	(850)	–	(15,991)	–	(203)	(1,537)	(18,581)	(20,072)
Balance at the year end	–	67,307	73,547	86,115	95,152	3,582	73,526	80,853	480,082	410,463
Impairment										
Impairment loss	–	–	6,594	–	–	–	–	–	6,594	–
Accumulated depreciation and impairment	–	67,307	80,141	86,115	95,152	3,582	73,526	80,853	486,676	410,463
Capital work-in-progress									429	238
Carrying amount as at the end of the year	1,374,289	495,157	94,652	23,178	61,516	3,243	20,207	64,432	2,137,103	1,329,751

NOTES TO THE FINANCIAL STATEMENTS

Notes

- i. The value of the land owned by the Group was assessed by an Independent valuer as at 30th September 2008.

The valuation of free hold land has been written up to correspond with the market value, and the details are as follows:

Location	Cost	Carrying value - as at 30.09.2008	Revalued	Pledged/unpledged
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
No. 65 & 56, Jethawana Road, Colombo 14	414	279,859	821,660	–
No. 61, Jethawana Road, Colombo 14	18,014	43,000	132,000	–
No. 74, Jethawana Road, Colombo 14	113,808	113,808	172,313	✓
No. 135, Mahena Road, Siyambalape	16,483	23,573	94,290	✓
Kirindiwela Road, Weliveriya	89,958	89,959	154,026	✓
Total	238,677	550,199	1,374,289	
Revaluation gain (Difference between carrying value and revalued amount)			824,090	

- ii. There are no tax implications or tax liabilities pertaining to revaluation.
- iii. Group property, plant & equipment with cost of Rs. 308 mn (2007/08- Rs. 241 mn), have been fully depreciated and continue to be used by the Group. The cost of fully depreciated assets of the Company amounts to Rs. 256 mn (2007/08 Rs. 227 mn).
- iv. Group land and building with a carrying value of Rs. 821 mn (2007/08 - Rs. 400 mn), have been pledged as security for term loans obtained.
- v. The Impairment Loss represents machinery that are obsolete and indicates the economic performance of those assets are lower than expected. The details are as follows:

Nature of the Asset	Plant and Machinery
Business segment	Construction and Material Handling
Basis of impairment	Obsolete
Carrying amount	Rs. 6.9 mn
Loss on impairment	Rs. 6.6 mn

- vi. There has been no permanent fall in the value of property, plant & equipment which require a provision other than disclosed above.

9. LEASEHOLD PROPERTY

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Cost				
Balance at the beginning	2,400	2,400	2,400	2,400
Additions	–	–	–	–
Balance at year end	2,400	2,400	2,400	2,400
Amortisation				
Balance at the beginning	880	800	880	800
Amortisation for the year	80	80	80	80
Balance at year end	960	880	960	880
Carrying amount at year end	1,440	1,520	1,440	1,520

Leasehold property represents leasehold land situated at Anuradhapura is on a 30-year lease and expires in 2026.

NOTES TO THE FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Cost				
Balance at the beginning	2,808	2,808	2,808	2,808
Additions	–	–	–	–
Balance at the year end	2,808	2,808	2,808	2,808
Accumulated Amortisation				
Balance at the beginning	59	–	59	–
Amortisation change for the year	702	59	702	59
Balance at the year end	761	59	761	59
Carrying amount at the year end	2,047	2,749	2,047	2,749

Intangible assets represent computer software.

11. INVESTMENTS IN SUBSIDIARIES

	Group Interest %	Company	
		2008/09 Rs. '000	2007/08 Rs. '000
Unquoted			
Dimo (Pvt) Ltd. - 25,000 ordinary shares	100	250	250
Dimo Industries (Pvt) Ltd. - 2,300,500 ordinary shares	100	23,050	50
Dimo Travels (Pvt) Ltd. - 500 ordinary shares	100	50	50
		23,350	350

The Company invested Rs. 23 mn in 2.3 mn shares of Dimo Industries (Pvt) Ltd. during the year.

The principal activities of the subsidiaries are given in page 103.

In the opinion of the Directors, the net realisable value of the unquoted investments in subsidiaries are higher than their cost.

12. INVESTMENTS IN JOINT VENTURE

	Group Interest %	Company	
		2008/09 Rs. '000	2007/08 Rs. '000
DIMO-KLN Industries (Pvt) Ltd. - 799,999 ordinary shares	50	8,000	6,000
Provision for fall in value of investment in joint venture		(6,677)	–
		1,323	6,000

The Company invested Rs. 2 mn in 200,000 shares of Dimo-KLN Industries (Pvt) Ltd., during the year.

Dimo-KLN Industries (Pvt) Ltd. has made losses since its commencement of commercial operations in August 2007. The present value of the future cash flows indicate an amount lesser than the carrying amount of the investment. A provision for the fall in value of the investment has been made accordingly.

NOTES TO THE FINANCIAL STATEMENTS

Summarised financial information of jointly controlled entity is as follows:

	Jointly Controlled Entity	
	2008/09 Rs. '000	2007/08 Rs. '000
Revenue	7,791	1,882
Profit/(loss) before tax	(4,779)	(5,616)
Profit/(loss) after tax	(4,779)	(5,616)
Non-current assets	5,423	6,035
Current assets	9,927	5,666
Total Assets	15,350	11,701
Equity	2,282	3,061
Non-current liabilities	11	-
Current liabilities	13,057	8,640
Equity & liabilities	15,350	11,701

13. INVESTMENTS IN EQUITY ACCOUNTED INVESTEE

	Group Interest %	Consolidated		Company	
		2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Unquoted					
Browns Dimo Industrial Products (Pvt) Ltd.					
675,000 ordinary shares	45	6,750	6,750	6,750	6,750
Group share of net assets		18,083	18,261	-	-
Group investment in equity accounted investee		24,833	25,011	6,750	6,750

14. OTHER LONG-TERM INVESTMENTS

	No. of Shares	Market Value Rs. '000	Consolidated		Company	
			2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Quoted						
Hunas Falls Hotels PLC - Ordinary shares	900	30	14	14	7	7
Hatton National Bank PLC - Non-voting ordinary shares	22,000	743	700	700	700	700
Ceylinco Insurance PLC - Non-voting ordinary shares	1,700	129	298	-	298	-
Hayleys PLC - Ordinary shares	-	-	-	40,964	-	40,964
			1,012	41,678	1,005	41,671

15. INVENTORIES

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Stock in trade and work-in-progress	1,323,637	1,772,770	1,240,650	1,699,851
Provision for slow moving inventories	(69,013)	(49,998)	(61,930)	(43,437)
	1,254,624	1,722,772	1,178,720	1,656,414
Goods-in-transit	75,224	467,034	61,460	467,034
	1,329,848	2,189,806	1,240,180	2,123,448

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Trade receivables	1,673,333	2,114,613	1,465,151	1,888,605
Provision for bad debts	(96,672)	(82,051)	(74,212)	(53,419)
	1,576,661	2,032,562	1,390,939	1,835,186
Deposits against imports	4,726	667	4,726	667
Deposits and pre-payments	44,122	51,129	25,377	33,598
Other trade receivables	22,850	29,030	18,781	25,984
Loans to employees	4,169	3,927	3,943	3,720
	1,652,528	2,117,315	1,443,766	1,899,155

17. CASH AND BANK BALANCES

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Bank balances	3,982	45,808	3,379	44,215
Cash in hand	5,716	5,414	5,491	5,239
	9,698	51,222	8,870	49,454

18. STATED CAPITAL

Voting Ordinary Shares	Consolidated/Company			
	No. of Shares	2008/09 Rs. '000	No. of Shares	2007/08 Rs. '000
Issued and Fully Paid Ordinary Shares				
Balance at the beginning of the year	12,100,000	182,500	12,100,000	182,500
Acquisition of Company's own shares	(3,397,611)	–	–	–
Balance at the end of the year	8,702,389	182,500	12,100,000	182,500

The reduction of the number of issued and fully paid shares during the year was due to cancellation of shares consequent to the Company acquiring its own shares. More information on acquisition of own shares available in Note 20.

19. REVALUATION RESERVE

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Reserve on revaluation of land	1,135,612	311,522	1,135,612	311,522

The increase in the reserve represent the increase in fair value of land consequent to a revaluation carried out during the year. Note 9 to the Financial Statements provide more details regarding the revaluation.

NOTES TO THE FINANCIAL STATEMENTS

20. REVENUE RESERVE

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Balance at the beginning	1,163,129	1,012,486	1,021,007	880,788
Dividends to shareholders				
- Final	(30,250)	(36,300)	(30,250)	(36,300)
- Interim	-	(18,150)	-	(18,150)
Acquisition of Company's own shares	(543,618)	-	(543,618)	-
Surplus on actuarial valuation of retiring gratuity obligation	8,028	-	7,431	-
Profit for the year	89,444	205,093	61,121	194,669
Balance at the year end	686,733	1,163,129	515,691	1,021,007

The Revenue Reserves represent reserves available for distribution.

The Directors of the Company resolved to repurchase 3,397,611 ordinary shares held by Hayleys PLC for a total consideration of Rs. 543,617,760/-. In terms of Section 63 (3) of the Companies Act No. 7 of 2007, Repurchased shares are deemed to be cancelled immediately upon acquisition by the Company.

21. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS

Non-current portion of the interest-bearing loans and borrowings:

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Term loans (21.1)	660,383	547,210	660,383	547,210
Finance lease obligations (21.2)	2,586	6,966	2,586	6,966
	662,969	554,176	662,969	554,176

Current portion of the interest-bearing loans and borrowings:

Term loans (21.1)	238,493	183,492	238,493	183,492
Finance lease obligations (21.2)	5,783	10,047	5,783	10,047
	244,276	193,539	244,276	193,539

21.1 Term Loans

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Non-Current				
At the beginning of the year	730,702	477,565	730,702	477,565
- Loans obtained - Secured	350,000	400,000	350,000	400,000
	1,080,702	877,565	1,080,702	877,565
Repayments during the year	(181,826)	(146,863)	(181,826)	(146,863)
At the end of the year	898,876	730,702	898,876	730,702
Transferred to current liabilities (repayable within one year)	238,493	183,492	238,493	183,492
Long-term portion of long-term loan (repayable after one year)	660,383	547,210	660,383	547,210

NOTES TO THE FINANCIAL STATEMENTS

21.2 Finance Lease Obligations

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Gross liability - at the beginning of the year	22,068	31,414	22,068	31,414
Obtained during the year	-	10,052	-	10,052
Repayments during the year	(11,167)	(19,398)	(11,167)	(19,398)
Gross liability - at the end of the year	10,901	22,068	10,901	22,068
Finance charges unamortised	(2,532)	(5,055)	(2,532)	(5,055)
Net liability - at the end of the year	8,369	17,013	8,369	17,013
Transferred to current liabilities (repayable within one year)	5,783	10,047	5,783	10,047
Non-current portion of finance lease obligations (repayable after one year)	2,586	6,966	2,586	6,966

Analysis of loans is as follows:

	Commercial Bank PLC Rs. '000	Sampath Bank PLC Rs. '000	Hatton National Bank PLC Rs. '000	People's Bank Rs. '000	2008/09 Total Rs. '000	2007/08 Total Rs. '000
Loan - 1	350,000	150,000	120,000	150,000	820,000	670,000
Loan - 2	400,000	-	100,000	-	100,000	100,000
Loan - 3	-	-	200,000	-	200,000	200,000
Principal Amount	750,000	150,000	420,000	150,000	1,120,000	970,000
Balance as at the beginning	555,270	45,000	130,432	-	730,702	477,565
Loans obtained during the year	-	-	200,000	150,000	350,000	400,000
Repayments during the year	(109,560)	(30,000)	(42,266)	-	(181,826)	(146,863)
Balance as at the end	445,710	15,000	288,166	150,000	898,876	730,702
Age Analysis for Outstanding Balance						
Within 1 year	109,560	15,000	83,933	30,000	238,493	183,492
1-5 years	179,240	-	204,233	120,000	503,473	350,530
Over 5 years	156,910	-	-	-	156,910	196,680
	445,710	15,000	288,166	150,000	898,876	730,702

22. DEFERRED TAX ASSETS & LIABILITIES

Deferred Tax Liabilities

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Balance at the beginning of the year	41,132	31,327	40,990	31,327
Origination and reversal of temporary differences	1,187	9,805	325	9,663
Balance at the end of the year	42,319	41,132	41,315	40,990

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

Property, plant & equipments	246,078	233,283	235,180	225,244
Retirement benefit obligations	(125,167)	(115,763)	(117,137)	(108,130)
Net tax liabilities	120,911	117,520	118,043	117,114
Deferred tax liability - at the rate of 35%	42,319	41,132	41,315	40,990

NOTES TO THE FINANCIAL STATEMENTS

23. DEFERRED INCOME

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
At the beginning of the year	1,222	3,218	1,222	3,218
Income deferred during the year	56	–	56	–
Amortised during the year	(915)	(1,996)	(915)	(1,996)
Balance at the end of the year	363	1,222	363	1,222

24. RETIREMENT BENEFIT OBLIGATIONS

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
<i>As at 31st March</i>				
Present value of unfunded gratuity	125,167	115,763	117,137	108,130
Total employee benefit	125,167	115,763	117,137	108,130
Movement in the present value of the defined benefit obligations				
Balance at the beginning of the year	115,763	93,753	108,130	86,703
Surplus on actuarial valuation of retirement benefit obligations at the beginning of the year	8,028	–	7,431	–
	107,735	93,753	100,699	86,703
Current service costs	9,325	–	8,292	–
Interest costs	17,238	–	16,111	–
Provision during the year**	–	27,996	–	27,168
Actuarial losses/(gains)	2,849	–	1,751	–
Total charge for the year	29,412	27,996	26,154	27,168
Benefits paid by the plan	(11,980)	(5,986)	(9,716)	(5,741)
Balance at the end of the year	125,167	115,763	117,137	108,130

An actuarial valuation was carried out on 31st March 2009 by Messrs Actuarial & Management Consultants (Pvt) Ltd.

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

	Y1	Y2	Y3	Y4	Y5	Y6 & onwards
Rate of discount %	15	14	13	12	12	12
Salary increase %	12	12	12	12	12	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 individual is assumed to be 60 years and employees over 60 years are assumed to retire on their next birthdays.

Full provision has been made in the financial statements for retiring gratuity from the first year of service of the employee in conformity with SLAS 16 - Retirement Benefit Costs. 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 current service cost, interest cost and actuarial losses for the year under review are included under Administration Expenses.

The transitional liability (as at 1st April 2008) is less than that would have been recognised as at 1st April 2008 under the Company's previous accounting policy, and therefore the Company recognised in the net decrease of defined benefit obligation amounting to Rs. 7.4 mn in Company and Rs. 8 mn in Group in the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

25. TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Trade payables	168,434	726,024	142,662	714,430
Advances received	9,656	85,375	9,656	85,375
Interest payable	19,008	8,738	18,990	8,738
Unclaimed dividend	1,791	1,980	1,791	1,980
VAT/Turnover tax payable	57,211	121,849	53,348	119,169
Other payables and accrued expenses	124,709	219,578	93,894	179,087
	380,809	1,163,544	320,341	1,108,779

26. INCOME TAX PAYABLE (RECOVERABLE)

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
At the beginning of the year	40,225	113,001	49,972	111,144
Income tax for the year - Net of deferred tax - Note 5	64,390	129,073	46,433	123,646
	104,615	242,074	96,405	234,790
Tax paid during the year				
Economic Service Charge	49,174	62,987	45,000	60,000
Income Tax and SRL	60,196	138,862	55,043	124,818
Payments pertaining to previous year	31,434	–	30,729	–
	140,804	201,849	130,772	184,818
Income tax recoverable	36,189	9,747	34,367	–
Balance at the end of the year	–	49,972	–	49,972

27. SHORT-TERM INTEREST-BEARING BORROWINGS

	Consolidated		Company	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
Short-term bank loans	1,595,720	1,854,733	1,558,459	1,815,101
Bank overdrafts	206,706	199,926	193,925	187,394
	1,802,426	2,054,659	1,752,384	2,002,495

Unutilised bank facilities as at 31st March 2009 amounted to Rs. 2,943,262,676/- (2008 - Rs. 3,321,103,197/-). Inventories and book debts amounting to Rs. 95,000,000/- are pledged as securities for short-term interest-bearing loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

28. RELATED PARTY DISCLOSURES

Transactions with the Related Parties in the ordinary course of business carried out on an arm's length basis.

28.1 Transactions with Key Management Personnel (KMPs)

KMPs are persons who have authority and responsibility directly or indirectly for planning, directing and controlling the activities of the Company.

The KMPs comprise of the Board of Directors of the reporting entity.

28.1.1 The Compensation of KMPs

For the year ending 31st March	2009		2008	
	Executive Directors Rs. '000	Non-Executive Directors Rs. '000	Executive Directors Rs. '000	Non-Executive Directors Rs. '000
Short-term employment benefit	45,242	3,534	36,573	2,550
Post-employment benefit - Defined benefit plans	6,139	–	4,313	–
	51,381	3,534	40,886	2,550

28.1.2 There are no long-term post-employment, terminal benefits and share-based payments made to the Directors during the year.

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

28.1.4 No loans were given to Key Management Personnel during the year.

28.1.5 The shareholding of the Key Management Personnel together with their close family members are disclosed on page 104 - Annual Report of the Board of Directors.

28.1.6 The names of the Directors of Diesel & Motor Engineering PLC, who are also Directors of other companies are given in page 107 -Annual Report of the Board of Directors.

28.2 Transactions with Close Family Members

Close family members are those who may be expected to influence or be influenced in their dealings with the Company.

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

28.3 Dealings with Subsidiaries, Associates and Joint Venture

28.3.1 Transactions with Subsidiaries, Associates, Joint Venture and Outstanding Balances

Name of the Company	Dimo (Pvt) Ltd.	Dimo Industries (Pvt) Ltd.	Dimo Travels (Pvt) Ltd.	Dimo KLN Industries (Pvt) Ltd.	Total
Relationship	Subsidiary	Subsidiary	Subsidiary	Joint Venture	2009
Shareholding	100%	100%	100%	50%	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening Balance as at 1st April 2008	62,259	47,738	(392)	3,879	113,484
Sale of goods and services	2,155	–	–	139	2,294
Purchases of goods and services	(19,385)	(276)	–	–	(19,661)
Expense incurred - net	40,499	1,474	–	2,087	44,060
Interest charged - net	35,705	2,170	–	–	38,875
Fund transfers - net	(79,878)	(24,323)	17	(1,481)	(105,665)
Closing Balance as at 31st March 2009	41,355	26,783	(375)	4,624	72,387

28.3.2 The outstanding balances with related parties are not secured.

28.3.3 The guarantees and letter of credit taken by the Company on behalf of Dimo (Pvt) Ltd., as at 31st March 2009 amounted to Rs. 267 mn.

28.3.4 No provisions were made for bad and doubtful debts against any related parties.

28.3.5 The Company does not have an identifiable parent of its own.

NOTES TO THE FINANCIAL STATEMENTS

29. WARRANTIES

Warranties extended to products marketed by the Group are limited to those given by respective manufacturers.

30. COMMITMENTS AND CONTINGENCIES

30.1 Capital Expenditure Commitments

There are no capital expenditure commitments as at 31st March 2009.

30.2 Contingent Liabilities

Guarantees

The contingent liability as at 31st March 2009 on guarantees given by Diesel & Motor Engineering PLC, to third parties in respect of bid bonds and performance bonds amounted to Rs. 413,706,559/- (2007/08 - Rs. 320,522,967/-).

Litigations Against the Company

- a. The claims for lawsuits filed against the Company as at 31st March 2009 amounts to Rs. 32.4 mn. Although there can be no assurance, the Directors believe based on the information currently available that the ultimate resolution of such lawsuits would not likely to have a material effect on the results of operations, financial position or liquidity. Accordingly, no provision for any liability has been made in the Financial Statements.
- b. An import shipment, disputed by Sri Lanka Customs, regarding the H.S. Classification, is presently being challenged by the Company. A bank guarantee amounting to Rs. 31.3 mn in favour of Director General of Customs has been submitted by the Company in this connection. The legal counsel representing the Company is of the opinion that the basis on which the claim is made untenable and unlikely to succeed, and hence no provision is made in the Financial Statements.

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors at a meeting held on 22nd May 2009 resolved to pay a First & Final dividend of Rs. 3/- per share.

No events have been arisen since the Balance Sheet date which would require adjustment to or disclosure in the Financial Statements, except as stated above.