

1. Reporting Entity

Diesel & Motor Engineering PLC and its Subsidiaries are limited liability companies, incorporated and domiciled in Sri Lanka. The Parent Company and its Subsidiaries have the registered office at No. 65, Jethawana Road, Colombo 14.

The Consolidated Financial Statements of Diesel & Motor Engineering PLC as at and for the year ended 31st March 2010 comprise the Company and its fully-owned Subsidiaries (together referred to as the 'Group' and individually as 'Group Entities') and the Group's interest in an equity accounted investee and jointly controlled entity.

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.

1.1 Principal Activities and Nature of Operations**1.1.1 Group**

The principal activities of the Company are import, sale and repair of passenger cars, commercial vehicles, material handling machinery, storage systems, construction machinery, agri machinery, medical equipment, power engineering solutions, power engines, power tools and import and sale of vehicle spares, components accessories and lighting products.

2. Basis of Preparation**2.1 Statement of Compliance**

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLAS) issued by The Institute of Chartered Accountants of Sri Lanka (ICASL), and the requirements of the Companies Act No. 07 of 2007.

2.2 Approval of Financial Statements by Directors

The Financial Statements for the year ended 31st March 2010 were authorised for issue by the Board of Directors on 18th May 2009.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for the following:

- Land included in property, plant & equipment is stated at cost at the acquisition and subsequently at revalued amounts, less accumulated impairment losses, if any. Further details are explained in Note 13 to the Financial Statements.
- Assets held for sale are measured at lower of its carrying amount and fair value less cost to sell.

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless otherwise stated.

2.5 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. The statement containing the Directors' Responsibilities for Financial Statements is given on page 134.

2.6 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with SLAS 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 on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if revision affects both current and future periods.

Information about significant areas in which estimates are made and critical judgments have been made, in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

2.6.1 Income tax

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

2.6.2 Defined Benefit Obligation

The present value of the defined benefit obligation depend on a number of assumptions made in doing actuarial valuation. Key assumptions used in determining the retirement benefit obligations are given in Note 30. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

2.6.3 Economic Useful Lives

Economic useful lives of assets are estimated as follows:

	Years
Buildings	36-40
Plant & Machinery	08-13
Workshop Implements	03-04
Motor Vehicles	03-04
Furniture & Fittings	09-13
Office Equipment & Electrical	06-10
Computer Hardware & Software	03-04

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by the Group entities. Certain comparative amounts have been reclassified to conform to the current year's presentation.

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 of trading.

3.1 Basis of Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

A listing of the Group's subsidiaries is set out in Note 16 to the Financial Statements.

3.1.2 Jointly Controlled Entities

Jointly controlled entities is an entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

The Company recognises its interest in the Joint Venture using the line by line reporting format for proportionate consolidation method and is recognised initially at cost.

3.1.3 Equity Accounted Investees

Equity Accounted Investees are those entities in which the Group has significant influence but not control over the financing and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of the entity. Equity Accounted Investee are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of income and expenses and equity movements of equity accounted investees, from the date that significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its investment in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent the Groups has incurred obligations or has made payments on behalf of the investee.

A listing of the Group's equity accounted investee is set out in Note 18 to the Financial Statements.

3.1.4 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lanka Rupees at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Sri Lankan Rupees at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in Income Statement.

Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in Income Statement.

3.3 Assets and Bases of their Valuation

3.3.1 Property, Plant & Equipment

3.3.1.1 Recognition and measurement

Items of property, plant & equipment are measured at cost (or at fair value in the case of land) less accumulated depreciation and accumulated impairment losses.

3.3.1.2 Owned assets

The cost of property, plant & equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

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

A revaluation of land is carried out in every three years or when there is a substantial difference between the fair value and the carrying amount. Revaluation is undertaken by professionally qualified valuers.

Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same individual asset is charged against revaluation reserve directly in equity. All other decreases are expensed in the Income Statement.

3.3.1.3 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.3.1.4 Subsequent costs

The cost of replacing a part of an item of property, plant & equipment is recognised in carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The cost of the day-to-day servicing of property, plant & equipment are recognised in Income Statement as incurred.

3.3.1.5 Derecognition

The carrying amount of an item of property, plant & equipment is derecognised on disposal; or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition are recognised in Income Statement and gains are not classified as revenue.

3.3.1.6 Depreciation

Depreciation is recognised in Income Statement on a straight-line basis over the estimated useful lives of items of each part of an item of property, plant & equipment. Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will have ownership by the end of the lease term. Freehold land is not depreciated.

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

Estimated useful economic lives of the assets are given in Note 2.6.3.

3.3.1.7 Capital Work-in-Progress

Capital expenditure incurred during the year, which is not completed as at the Balance Sheet date stated as Capital work-in-progress.

3.3.2 Intangible Assets

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 in accordance with SLAS 37 on 'Intangible Assets'. Accordingly, these assets are stated in the Balance Sheet at cost less accumulated amortisation and accumulated impairment losses.

3.3.2.1 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 Income Statement when incurred.

3.3.2.2 Amortisation

Amortisation is recognised in Income Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful life of computer software is four years.

3.3.3 Investments

3.3.3.1 Long-Term Investments

Quoted and unquoted investments in shares held on long-term basis are measured at cost.

In the parent Company's financial statements, investments in subsidiaries, jointly controlled entity and Equity accounted investee are carried at cost under the parent Company accounting policy for long-term investments.

Provision for fall in value is made when in the opinion of the Directors there has been a decline other than temporary in the value of the investment.

3.3.4 Inventories

Inventories are measured at the lower of cost and net realisable value. The general basis on which cost is determined is:

- All inventory items and work-in-progress are measured at weighted average directly attributable cost.

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

3.3.5 Trade and Other Receivables

Trade receivables are stated at their estimated realisable value net of provisions.

Bad debts are written-off when those are known to be uncollectable.

3.3.6 Cash & Cash Equivalents

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

3.3.7 Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in Income Statement.

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.

3.3.8 Assets Held for Sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are measured in accordance with the Group's accounting policies. Thereafter, generally the assets (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

An impairment loss on initial recognition as held for sale and subsequent gains and losses on remeasurement are recognised in Income Statement. Gains are not recognised in excess of any cumulative impairment loss.

3.4 Liabilities and Provisions

Liabilities classified as current liabilities in the Balance Sheet are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date.

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

3.4.1 Employee Benefits

3.4.1.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to approved funds and are recognised as an expense in Income Statement as they fall due.

3.4.1.2 Defined Benefits Plans - Retiring Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability recognised in the Financial Statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a Qualified Actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard No. 16 - 'Employee Benefits'. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty.

The liability is not externally funded.

Provisions have been made for gratuities from the first year of service for all employees, in conformity with SLAS 16 (Revised 2006) on 'Retirement Benefit Costs'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Actuarial Gains and Losses

Actuarial gains or losses are recognised immediately in Income Statement.

3.4.1.3 Short-Term Benefits

Short-term employees benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.4.2 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.4.3 Trade and Other Payables

Trade and other payables are stated at their costs.

3.4.4 Capital Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events to present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Balance Sheet but are disclosed unless they are remote.

Capital commitments and contingent liabilities of the Group are disclosed in respective Notes to the Financial Statements. Refer Note 36 to the Financial Statements.

3.5 Deferred Income

The excess of sales proceeds over the carrying amount 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.

Value of an asset received free of charge is also classified as deferred income. This will be amortised over the contract period.

3.6 Income Statement

For the purpose of presentation of the Income Statement, the function of expenses method is adopted, as it represents fairly the elements of Company performance.

3.6.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the 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 following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return estimated goods can be reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

(b) Rendering of Services

Revenue from services rendered is recognised in Income Statement on the invoicing of the job after completion. In instances where the revenue from services spreads over a period of time, revenue is recognised in Income Statement in proportion to the stage of completion of the transaction at the reporting date.

(c) Service Support Income

Service support commission income from foreign principals is recognised on an accrual basis once the shipment is effected.

(d) Rent Income

Rent income is recognised in Income Statement as it accrues.

(e) Dividend Income

Dividend income is recognised in Income Statement on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(f) Gains/(Loss) Disposal of Investments

Gains and losses on the disposal of investments held by the Group are recognised in Income Statement.

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within 'other operating income' in Income Statement. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.6.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to profit and loss in the year in which the expenditure is incurred.

3.6.3 Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in Income Statement on a straight-line basis over the term of the lease.

3.6.4 Borrowing Costs

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

3.6.5 Finance Income and Expenses

Finance income comprises interest income on funds invested, and gains on translation of foreign currency. Interest income is recognised in the profit and loss as it accrues.

Finance expenses comprise interest payable on borrowings and losses on translation of foreign currency. The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.6.6 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

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.

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax withheld on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

3.7 Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of or held for sale. Classification as discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as discontinued operation, the comparative Income Statement is represented as if the operation had been discontinued from the start of the comparative period.

3.8 General

3.8.1 Events Occurring after the Balance Sheet Date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.8.2 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.9 Cash Flow Statement

The Cash Flow Statement has been prepared using the 'direct method' in accordance with the Sri Lanka Accounting Standard 9 'Cash Flow Statements'. Cash and Cash equivalents comprise cash in hand and cash at bank that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Interest paid is classified as an operating cash flow. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows.

3.10 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The segment reporting is presented on the primary format, business segments, as per the Sri Lanka Accounting Standard No. 28 - 'Segment Reporting'. Inter-segment pricing is determined on an arm's length basis. Segment information is based on the identified product segments reflecting the Groups' 'core' and 'non-core' business activities. Segment information includes revenue, segment result, assets, liabilities and cash flows.

Segment assets and liabilities include those operational assets and liabilities that can be allocated to the segment on a reasonable basis. Segment expenses consist of direct expenses pertaining to and directly attributable to the segment. Considering activities of the operations, segment information based on geographical segments does not arise.

Inter-segment transfers are based on fair market prices. 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 items comprise mainly investments and related revenue, loans and borrowings & related expenses, and income tax assets and liabilities.

Segmental capital expenditure is the total cost incurred during the period to acquire property, plant & equipment and intangible assets other than goodwill.

4. New Accounting Standards

The Institute of Chartered Accountants of Sri Lanka has issued following new Accounting Standards, which becomes effective for annual periods that commence subsequent to the reporting date.

- Accounting period beginning on or after 1st January 2010
 - SLAS-39 - 'Share Based Payments'
- Accounting period beginning on or after 1st January 2011
 - Sri Lanka Accounting Standard 44 - 'Financial Instruments: Presentation'
 - Sri Lanka Accounting Standard 45 - 'Financial Instruments: Recognition' and Measurement

The Company is currently in the process of evaluating the potential effect of these Standards. However, the impact of the above requirements has not been quantified as at the Balance Sheet date.

5. 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	- Sales & Services 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 of Medical Equipment, Generating Sets, Turbines, Diesel Engines for Marine Propulsion, Rail Traction, Building Technologies, Industrial Refrigeration and Power Engineering.

For the year ended 31st March	Vehicles		Vehicle Parts & Services		Lighting & Power Tools		Construction & Material Handling Machinery		Electro Mechanical & Bio Medical Engineering		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009*	2010	2009
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Business Segment Turnover & Results												
Total segment revenue	5,362,244	4,924,323	2,626,758	2,446,458	402,283	488,043	1,582,584	1,394,437	781,899	531,607	10,755,768	9,784,868
Inter-segment revenue	85,037	180,139	73,202	211,276	1,586	34,259	65,279	57,441	77	113,787	225,181	596,902
Total external revenue	5,277,207	4,744,184	2,553,556	2,235,182	400,697	453,784	1,517,305	1,336,996	781,822	417,820	10,530,587	9,187,966
Segment result	465,299	339,690	432,335	463,768	71,497	81,076	144,889	155,111	83,594	95,422	1,197,614	1,135,067
Unallocated income	-	-	-	-	-	-	-	-	-	-	44,244	68,023
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(464,253)	(442,340)
Finance cost - net	-	-	-	-	-	-	-	-	-	-	(365,746)	(585,491)
Income from equity accounted investee	-	-	-	-	-	-	-	-	-	-	8,236	(177)
Income tax expense	-	-	-	-	-	-	-	-	-	-	(141,842)	(72,054)
Discontinued operations	-	-	-	-	-	-	-	-	-	-	(29,956)	(13,584)
Profit for the year	-	-	-	-	-	-	-	-	-	-	248,297	89,444
Business Segment Assets & Liabilities												
Segment assets	1,545,673	1,309,766	1,285,993	1,203,789	187,496	208,955	595,287	363,276	268,313	297,751	3,882,762	3,383,537
Assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	38,795	24,833
Unallocated assets	-	-	-	-	-	-	-	-	-	-	1,616,871	1,854,804
Total assets	1,545,673	1,309,766	1,285,993	1,203,789	187,496	208,955	595,287	363,276	268,313	297,751	5,538,428	5,263,174
Segment liabilities	549,889	978,157	142,107	441,855	21,503	145,701	116,042	108,925	36,731	53,506	866,272	1,728,144
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	2,471,228	1,530,185
Total liabilities	549,889	978,157	142,107	441,855	21,503	145,701	116,042	108,925	36,731	53,506	3,337,500	3,258,329
Other Business Segment Information												
Capital expenditure	5,009	30,781	7,879	7,723	697	1,297	4,619	997	2,327	15,449	20,531 *	56,247
Depreciation	9,915	14,683	37,507	35,540	553	793	4,035	6,028	5,724	7,153	57,734 *	64,197
Non-cash expenses other than depreciation	36,461	15,818	30,222	16,371	273	1,220	17,642	18,871	43,301	10,270	127,899	62,550

* Represent capital expenditure and depreciation which are directly attributable to business segments.

For the year ended 31st March	Vehicles		Vehicle Parts & Services		Lighting & Power Tools		Construction & Material Handling Machinery		Electro Mechanical & Bio Medical Engineering		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009*	2010	2009*
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Business Segment Cash Flow												
Operating activities	531,318	781,543	264,478	39,835	67,452	37,889	(91,720)	176,931	(720)	43,565	770,808	1,079,763
Investing activities	(4,355)	(30,781)	(10,462)	(7,723)	(697)	(1,297)	(4,799)	(997)	(720)	(15,449)	(21,033)	(56,247)
Unallocated Cash Flows												
Common cash flows											188,587	(313,307)
Income taxes paid											(112,060)	(140,804)
Proceeds from disposal of property, plant & equipment											10,919	41,397
Investment in shares											-	(298)
Proceeds from disposal of shares											-	75,684
Dividends received											101	1,713
Interest received											1,163	1,519
Acquisition of construction of property, plant & equipment											(15,927)	(61,850)
Acquisition of Company's own shares											-	(543,618)
Proceeds from long-term loan											-	350,000
Repayment of long-term loan											(235,993)	(181,826)
Repayment of finance lease obligations											(7,678)	(11,167)
Dividends paid											(52,214)	(30,250)
Net increase/(decrease) in cash & cash equivalents											526,673	210,709

Figures in brackets indicate outflows.

* Comparative figures have been restated to reflect the results of discontinued operations as explained in Note 10 to the Financial Statements.

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.

6. Other Income/(Expenses)

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Gain/(Loss) on disposal of property, plant & equipment	(2,366)	16,998	(4,211)	16,901
Incentives received from principals	3,727	2,733	3,727	2,733
Rent income	8,777	1,114	5,717	1,115
Hiring income	3,402	7,002	3,402	7,002
Amortisation of deferred income	5,261	915	5,261	915
Sundry income	25,443	4,541	16,238	5,268
Gain on disposal of investment	-	34,720	-	34,720
Impairment of investment in jointly controlled entity	-	-	(1,323)	(6,677)
	44,244	68,023	28,811	61,977

7. Net Finance Cost

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Restated Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Financing Income				
Dividend income	101	1,713	3,475	1,713
Interest income	1,163	1,519	538	1,017
Gain on translation of foreign currency	44	1,386	-	1,372
	1,308	4,618	4,013	4,102
Financing Costs				
Interest on long-term borrowings	(129,291)	(124,182)	(129,291)	(124,182)
Interest on short-term borrowings	(224,162)	(458,287)	(213,241)	(424,424)
Interest on finance lease	(1,509)	(2,523)	(1,509)	(2,523)
Loss on translation of foreign currency	(12,092)	(5,117)	(3,973)	-
	(367,054)	(590,109)	(348,014)	(551,129)
	(365,746)	(585,491)	(344,001)	(547,027)

8. Profit Before Taxation

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Restated Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
8.1 Profit before taxation is stated after charging all expenses including the following:				
Directors' emoluments	54,628	48,776	35,743	42,145
Auditors' remuneration				
- Statutory audit	1,753	1,352	1,225	1,080
- Audit related services	164	433	164	232
- Non-Audit services	2,999	625	2,335	625
Depreciation on property, plant & equipment	94,252	97,916	86,459	88,200
Amortisation of intangible assets and leasehold property	782	782	782	782
Provision for bad & doubtful debts and write-off	115,662	59,053	90,826	50,327
Provision for slow moving inventories	46,704	19,015	30,979	18,493
Donations	1,166	860	806	787
Legal fees	9,760	9,597	9,354	9,277
Staff expense (Note 8.2)	596,437	575,692	528,137	496,125

8.2 Staff Expense

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Restated Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Defined contribution plan costs (EPF & ETF)	62,475	58,698	53,630	50,640
Defined benefit plan costs (Retiring gratuity)	28,224	29,412	25,108	26,154
Training expenses	11,935	14,810	7,293	7,765
Salaries & wages	493,803	472,772	442,106	411,566
	596,437	575,692	528,137	496,125
Average number of employees for the year	867	869	747	731

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.

9. Income Tax Expense

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Restated Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Current Tax Expense:				
Income tax on current year profit (Note 9.1)	149,186	61,794	118,460	44,202
Under provision in respect of previous year	4,367	2,596	3,890	2,231
	153,553	64,390	122,350	46,433
Deferred Tax Expense:				
Origination and reversal of temporary differences (Note 28)	(14,182)	1,187	(5,237)	325
	139,371	65,577	117,113	46,758
Tax release*	2,471	6,477	-	-
Total income tax expense	141,842	72,054	117,113	46,758

9.1 Reconciliation of Accounting Profit to Income Tax Expense

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Profit before Taxation				
Continuing operations	420,095	175,082	306,315	107,878
Discontinued operations	(32,427)	(20,060)	-	-
	387,668	155,022	306,315	107,878
Disallowable expenses	175,982	174,213	142,059	165,410
Allowable expenses	(111,831)	(117,998)	(103,878)	(105,272)
Tax losses for the year	-	6,154	-	-
Share of (profit)/loss of equity accounted investee	(8,236)	177	-	-
Income not liable to tax	(4,638)	(42,505)	(4,013)	(42,476)
Taxable income	438,945	175,063	340,483	125,540
Income tax				
Tax at 15%	866	294	590	294
Tax at 35%	146,115	60,587	116,120	43,255
Social Responsibility Levy (SRL) at 1.5%	2,205	913	1,750	653
Income tax on profits for the year	149,186	61,794	118,460	44,202
Effective tax rate	38.48	39.86	38.67	40.97

*Tax release represents the tax saving on loss of discontinued operations.

9.2 Tax Losses Brought Forward and Utilised during the Year

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Tax Losses at the beginning of the year	19,861	9,443	-	-
Loss incurred during the year	-	6,154	-	-
Utilised during the year	(118)	-	-	-
Adjustment on asset held for sale	(7,035)	-	-	-
Adjustment to tax loss brought forward	97	4,264	-	-
At the end of the year	12,805	19,861	-	-

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.

The tax liability on proposed final dividend is Rs. 3,480,955/-. The actual liability arises in year in which the dividend is paid hence no liability is recognised in these Financial Statements.

10. Discontinued Operations

In December 2009 the Group discontinued operations of Telecommunication Equipment Sales and Service which were included in Electro Mechanical & Bio Medical Engineering segment; the business was not a discontinued operation as at 31st March 2009 and the comparative income statement has been restated to show the discontinued operation separately from continuing operations.

Results of Discontinued Operations

	2009/10 Rs. '000	2008/09 Rs. '000
Revenue	40,305	86,138
Expenses	(72,732)	(106,198)
Loss before taxation	(32,427)	(20,060)
Income tax release	2,471	6,476
Losses for the period	(29,956)	(13,584)
Basic Losses per share	(3.44)	(1.42)
Diluted Losses per share	(3.44)	(1.42)
Cash Flows from Discontinued Operations		
Net cash flows from operating activities	11,779	(8,586)
Net cash from investing activities	-	(149)

11. 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		Company	
	2009/10	2008/09	2009/10	2008/09
a. Basic Earnings Per Share				
Profit attributable to ordinary shareholders (Rs. '000)	248,297	89,444	189,202	61,121
Weighted average number of ordinary shares (i)	8,702,389	9,551,792	8,702,389	9,551,792
Basic earnings per ordinary share (Rs.)	28.53	9.36	21.74	6.40
Diluted earnings per ordinary share (Rs.)	28.53	9.36	21.74	6.40
B. Continuing Operations				
Profit attributable to ordinary shareholders (Rs. '000)	278,253	103,028	189,202	61,121
Weighted average number of ordinary shares (i)	8,702,389	9,551,792	8,702,389	9,551,792
Basic earnings per ordinary share (Rs.)	31.97	10.79	21.74	6.40
Diluted earnings per ordinary share (Rs.)	31.97	10.79	21.74	6.40
(i) Qualifying ordinary shares at the beginning of the year	8,702,389	12,100,000	8,702,389	12,100,000
Acquisition of Company's own shares	-	(3,397,611)	-	(3,397,611)
Qualifying ordinary shares at the end of the year	8,702,389	8,702,389	8,702,389	8,702,389
Weighted average number of ordinary shares at the year end	8,702,389	9,551,792	8,702,389	9,551,792

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

12. Dividends

Calculation of Dividend per Share

	Company	
	2009/10 Rs. '000	2008/09 Rs. '000
Interim paid	26,107	-
Final proposed	34,810	26,107
	60,917	26,107
Dividend per share (Rs.)	7.00	3.00

Directors have approved the payment of final dividend of Rs. 4.00 per share for the year ended 31st March 2010 (2008/09 - Rs. 3.00 per share). In accordance with the SLAS 12 (Revised 2005) on 'Events after the Balance Sheet date', the proposed final dividend subsequent to the Balance Sheet date is not recognised as a liability in the Financial Statements as at 31st March 2010.

13. Property, Plant & Equipment

	Freehold Land	Buildings & Premises	Plant & Machinery	Tools & Implements	Motor Vehicles	Leased Motor Vehicles	Computer Hardware & Software	Electrical Fixtures, Fittings, & Office Equipment	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2010 Rs. '000	2009 Rs. '000
a. Consolidated										
Cost or Valuation										
Balance at the beginning of the year	1,374,289	589,190	209,421	122,765	160,855	6,825	104,897	161,903	2,730,145	1,831,033
Additions	-	3,229	10,313	3,455	11,711	-	5,491	2,688	36,887	118,097
Surplus on revaluation	-	-	-	-	-	-	-	-	-	824,090
Disposals	-	-	(14,816)	-	(6,538)	-	(1,720)	(269)	(23,343)	(43,075)
Transfer to assets classified as held for sale	-	(1,534)	(1,153)	(9)	-	-	-	(526)	(3,222)	-
Balance at the end of the year	<u>1,374,289</u>	<u>590,885</u>	<u>203,765</u>	<u>126,211</u>	<u>166,028</u>	<u>6,825</u>	<u>108,668</u>	<u>163,796</u>	2,740,467	2,730,145
Depreciation										
Balance at the beginning of the year	-	70,600	87,230	95,854	98,729	3,582	82,280	86,720	524,995	439,161
Charge for the year	-	19,351	12,637	11,210	29,166	1,327	10,946	9,615	94,252	97,916
On disposals	-	-	(3,856)	-	(4,329)	-	(1,612)	(261)	(10,058)	(18,676)
Transfer to assets classified as held for sale	-	(307)	(121)	(3)	-	-	-	(79)	(510)	-
Balance at the end of the year	<u>-</u>	<u>89,644</u>	<u>95,890</u>	<u>107,061</u>	<u>123,566</u>	<u>4,909</u>	<u>91,614</u>	<u>95,995</u>	608,679	518,401
Impairment										
Reversals of impairment loss	-	-	(6,594)	-	-	-	-	-	(6,594)	-
Impairment loss	-	-	-	-	-	-	-	635	635	6,594
Accumulated depreciation and impairment										
	<u>-</u>	<u>89,644</u>	<u>89,296</u>	<u>107,061</u>	<u>123,566</u>	<u>4,909</u>	<u>91,614</u>	<u>96,630</u>	602,720	524,995
Capital work-in-progress										
Carrying amount as at the end of the year	<u>1,374,289</u>	<u>501,241</u>	<u>114,469</u>	<u>19,150</u>	<u>42,462</u>	<u>1,916</u>	<u>16,419</u>	<u>67,801</u>	2,137,747	2,205,579
b. Company										
Cost or Valuation										
Balance at the beginning of the year	1,374,289	562,464	174,793	109,293	156,668	6,825	93,733	145,285	2,623,350	1,739,976
Additions	-	3,136	8,321	2,570	11,711	-	4,541	2,640	32,919	102,234
Revaluation	-	-	-	-	-	-	-	-	-	824,090
Disposals	-	-	(10,848)	-	(4,438)	-	(1,277)	(269)	(16,832)	(42,950)
Balance at the end of the year	<u>1,374,289</u>	<u>565,600</u>	<u>172,266</u>	<u>111,863</u>	<u>163,941</u>	<u>6,825</u>	<u>96,997</u>	<u>147,656</u>	2,639,437	2,623,350
Depreciation										
Balance at the beginning of the year	-	67,307	80,141	86,115	95,152	3,582	73,526	80,853	486,676	410,463
Charge for the year	-	18,757	10,263	9,382	28,825	1,327	9,618	8,287	86,459	88,200
On disposals	-	-	(3,068)	-	(2,229)	-	(1,169)	(261)	(6,727)	(18,581)
Balance at the end of the year	<u>-</u>	<u>86,064</u>	<u>87,336</u>	<u>95,497</u>	<u>121,748</u>	<u>4,909</u>	<u>81,975</u>	<u>88,879</u>	566,408	480,082
Impairment										
Reversal of impairment loss	-	-	(6,594)	-	-	-	-	-	(6,594)	-
Impairment loss	-	-	-	-	-	-	-	-	-	6,594
Accumulated depreciation and impairment										
	<u>-</u>	<u>86,064</u>	<u>80,742</u>	<u>95,497</u>	<u>121,748</u>	<u>4,909</u>	<u>81,975</u>	<u>88,879</u>	559,814	486,676
Capital work-in-progress										
Carrying amount as at the end of the year	<u>1,374,289</u>	<u>479,536</u>	<u>91,524</u>	<u>16,366</u>	<u>42,193</u>	<u>1,916</u>	<u>15,022</u>	<u>58,777</u>	2,079,623	2,137,103

Notes

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

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

Location	Extent	Cost Rs. '000	Revalued Rs. '000	Pledged
No. 65 & 56, Jetawana Road, Colombo 14	2A-0R-33.29P	414	821,660	-
No. 61, Jetawana Road, Colombo 14	0A-1R-04.00P	18,014	132,000	-
No. 74, Jetawana Road, Colombo 14	0A-1R-14.56P	113,808	172,313	√
No. 135, Mahena Road, Siyambalape	7A-3R-05.90P	16,483	94,290	√
Kirindiwela Road, Weliveriya	16A-0R-36.31P	89,958	154,026	√
Total		<u>238,677</u>	<u>1,374,289</u>	

ii. Group property, plant & equipment with cost of Rs. 317 mn (2008/09 - Rs. 308 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. 296 mn (2008/09 Rs. - 288 mn).

iii. Group land and building with a carrying value of Rs. 821 mn (2009 - Rs. 821 mn), have been pledged as security for term loans obtained.

iv. There has been no permanent fall in the value of Property, Plant & Equipment which require a provision other than disclosed above.

14. Leasehold Property

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Cost				
Balance at the beginning of the year	2,400	2,400	2,400	2,400
Balance at the end of the year	2,400	2,400	2,400	2,400
Amortisation				
Balance at the beginning of the year	960	880	960	880
Amortisation for the year	80	80	80	80
Balance at the end of the year	1,040	960	1,040	960
Carrying amount at the end of the year	1,360	1,440	1,360	1,440

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

15. Intangible Assets

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Cost				
Balance at the beginning of the year	2,808	2,808	2,808	2,808
Balance at the end of the year	2,808	2,808	2,808	2,808
Accumulated Amortisation				
Balance at the beginning of the year	761	59	761	59
Amortisation for the year	702	702	702	702
Balance at the end of the year	1,463	761	1,463	761
Carrying amount at the end of the year	1,345	2,047	1,345	2,047

Computer software purchase cost has been classified as an Intangible Asset.

16. Investment in Subsidiaries

	Percentage of Holding	Company	
		2009/10 Rs. '000	2008/09 Rs. '000
Unquoted Investment-Ordinary Shares			
Dimo (Pvt) Ltd. - 25,000 (a)	100	250	250
Dimo Industries (Pvt) Ltd. - 2,300,500 (b)	100	23,050	23,050
Dimo Travels (Pvt) Ltd. - 500 (c)	100	50	50
		23,350	23,350

Principal activities of the subsidiaries include;

- (a) Sale and after sales service of bio medical equipment, power engineering solutions, building technologies, generating sets, diesel engines for marine propulsion and rail traction engines and fluid management systems.
- (b) Tyre retreading
- (c) Business of travel agency including provision of transportation facilities.

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

17. Investment in Jointly Controlled Entity

	Percentage of Holding	Company	
		2009/10 Rs. '000	2008/09 Rs. '000
Unquoted Investments			
DIMO-KLN Industries (Pvt) Ltd.	49	8,000	8,000
Provision for fall in value of investment in joint venture		(8,000)	(6,677)
		-	1,323

The Company formed a joint venture in collaboration with KLN Engineering Products (Pvt) Ltd. in India to manufacture filters for automobiles. The Company has made losses since its commencement of commercial operations in August 2007.

The management of Diesel & Motor Engineering PLC has decided to divest the investment in Dimo KLN Industries (Pvt) Ltd., a full provision has been made on investment in the Company since there is no recoverable value. Immediately before the divestment of investment the business activity was reported under Vehicle Parts and Services segment.

18. Investments in Equity Accounted Investee

	Percentage of Holding	Consolidated		Company	
		2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Unquoted Investments					
Browns Dimo Industrial Products (Pvt) Ltd. 675,000 ordinary shares	45	6,750	6,750	6,750	6,750
Group share of net assets	19	26,319	18,083	-	-
Assets classified as held for sale (Note 23.2)		(33,069)	-	(6,750)	-
Group investment in equity accounted investee		-	24,833	-	6,750

19. Other Long-Term Investments

	No. of Shares	Market Value Rs. '000	Consolidated		Company	
			2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Quoted Investments						
Ordinary Shares						
Hunas Falls Hotels PLC	900	47	14	14	7	7
Hatton National Bank PLC (Non-voting)	22,000	3,080	700	700	700	700
Ceylinco Insurance PLC (Non-voting)	1,700	393	298	298	298	298
			1,012	1,012	1,005	1,005

20. Inventories

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Stock in trade and work-in-progress	1,126,287	1,323,637	1,024,274	1,240,650
Provision for slow moving inventories	(115,717)	(69,013)	(92,908)	(61,930)
	1,010,570	1,254,624	931,366	1,178,720
Goods-in-transit	305,804	75,224	305,391	61,460
	1,316,374	1,329,848	1,236,757	1,240,180

21. Trade and Other Receivables

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Trade receivables	2,127,344	1,673,333	1,891,120	1,465,151
Provision for bad and doubtful debts	(212,334)	(96,672)	(165,038)	(74,212)
	1,915,010	1,576,661	1,726,082	1,390,939
Deposits and pre payments	55,260	48,848	44,290	30,103
Other trade receivables	14,384	22,850	13,786	18,781
Loans to employees	3,488	4,169	3,275	3,943
	1,988,142	1,652,528	1,787,433	1,443,766

22. Cash and Cash Equivalents

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Bank balances	28,684	3,982	21,314	3,379
Cash in hand	6,777	5,716	6,451	5,491
	35,461	9,698	27,765	8,870

23. Assets Classified as Held for Sale

23.1 The management of Diesel & Motor Engineering PLC decided to divest its 49% holding in Dimo KLN Industries (Pvt) Ltd., to its joint Venture Partner. The Share of assets and liabilities of Dimo KLN Industries (Pvt) Ltd. is given below:

23.2 The Company holds 45% of shares in Browns Dimo Industrial Products (Pvt) Ltd. (BDIPL). As at the year end the management of Diesel & Motor Engineering PLC decided to divest the investment. Hence, the investment presented separately as assets classified as held for sale at the lower its carrying amount and fair value less cost to sell.

	Consolidated		Company	
	Dimo KLN Industries (Pvt) Ltd. Rs. '000	Browns Dimo Industrial Products (Pvt) Ltd. Rs. '000	2009/10 Rs. '000	2009/10 Rs. '000
Assets Classified as Held for Sale				
Non-current assets	2,712	-	2,712	-
Current assets	3,014	-	3,014	-
Investment in equity accounted investee (Note 23.2.1)	-	33,069	33,069	6,750
Total assets	5,726	33,069	38,795	6,750
Liabilities directly associated with assets classified as held for sale				
Non-current liabilities	6	-	6	-
Current liabilities	5,720	-	5,720	-
Total liabilities	5,726	-	5,726	-

23.2.1 Group Investment in equity accounted investee is reported as follows:

	2009/10 Rs. '000
Non-current assets	7,092
Current assets	103,419
Total assets	110,511
Non-current liabilities	6,215
Current liabilities	30,809
Total liabilities	37,024
Net assets	73,487
Share of net assets - 45%	33,069

24. Stated Capital

	Consolidated/ Company			
	2009/10 No. of shares	2009/10 Rs. '000	2008/09 No. of Shares	2008/09 Rs. '000
Issued and Fully Paid Ordinary Shares				
Balance at the beginning of the year	8,702,389	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	8,702,389	182,500

The holders of the Ordinary Shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at the meeting from the Company.

25. Capital Reserve

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Reserve on revaluation of land	1,135,612	1,135,612	1,135,612	1,135,612

26. Revenue Reserve

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Balance at the beginning of the year				
Dividends to shareholders	686,733	1,163,129	515,691	1,021,007
- Final 2008/09	(26,107)	(30,250)	(26,107)	(30,250)
- Interim 2009/10	(26,107)	-	(26,107)	-
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	248,297	89,444	189,202	61,121
Balance at the end of the year	882,816	686,733	652,679	515,691

The Revenue Reserves represent reserves available for distribution.

27. Long-Term Interest-Bearing Loans and Borrowings

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
a. Non-Current Interest Bearing Borrowings				
Term loans (Note 27.1)	501,257	660,383	501,257	660,383
Finance lease obligations (Note 27.2)	1,472	2,586	1,472	2,586
Total non-current interest bearing borrowings	502,729	662,969	502,729	662,969
b. Current Portion of the Interest Bearing Borrowings:				
Term loans (Note 27.1)	161,626	238,493	161,626	238,493
Finance lease obligations (Note 27.2)	728	5,783	728	5,783
Total current portion of the interest bearing borrowings	162,354	244,276	162,354	244,276

27.1 Term Loans

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Non-Current				
At the beginning of the year	898,876	730,702	898,876	730,702
Loans obtained during the year	-	350,000	-	350,000
	898,876	1,080,702	898,876	1,080,702
Repayments during the year	(235,993)	(181,826)	(235,993)	(181,826)
At the end of the year	662,883	898,876	662,883	898,876
Transferred to current liabilities (repayable within one year)	161,626	238,493	161,626	238,493
Long-term portion of long-term loans (repayable after one year)	501,257	660,383	501,257	660,383

	Commercial Bank PLC Rs. '000	Sampath Bank PLC Rs. '000	Hatton National Bank PLC Rs. '000	People's Bank Rs. '000	Total 2009/10 Rs. '000	Total 2008/09 Rs. '000
Principal Amount of Loans						
Loan - 1	350,000	150,000	120,000	150,000	770,000	820,000
Loan - 2	400,000	-	100,000	-	500,000	100,000
Loan - 3	-	-	200,000	-	200,000	200,000
	750,000	150,000	420,000	150,000	1,470,000	1,120,000
Movement of Loans						
Balance at the beginning of the year	445,710	15,000	288,166	150,000	898,876	730,702
Loans obtained during the year	-	-	-	-	-	350,000
Repayments during the year	(109,560)	(15,000)	(83,933)	(27,500)	(235,993)	(181,826)
Balance at the end of the year	336,150	-	204,233	122,500	662,883	898,876
Analysis of Long-Term Borrowings By Year of Repayment						
Payable within 1 year	59,360	-	72,266	30,000	161,626	238,493
Payable 2-5 years	199,800	-	131,967	92,500	424,267	503,473
Payable over 5 years	76,990	-	-	-	76,990	156,910
	336,150	-	204,233	122,500	662,883	898,876

27.2 Finance Lease Obligations

Principal Amount	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Gross liability at the beginning of the year	10,901	22,068	10,901	22,068
Repayments during the year	(7,678)	(11,167)	(7,678)	(11,167)
Net lease obligation at the end of the year	3,223	10,901	3,223	10,901
Finance charges unamortised	(1,023)	(2,532)	(1,023)	(2,532)
Net liability at the end of the year	2,200	8,369	2,200	8,369
Transferred to current liabilities (repayable within one year)	728	5,783	728	5,783
Non-current portion of finance lease obligations (repayable after one year)	1,472	2,586	1,472	2,586

28. Deferred Tax Assets/(Liabilities)

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Balance at the beginning of the year	42,319	41,132	41,315	40,990
Origination and reversal of temporary differences	(14,182)	1,187	(5,237)	325
Balance at the end of the year	28,137	42,319	36,078	41,315
Recognised Deferred Tax Assets and Liabilities				
Property, plant & equipment	246,922	246,078	235,687	235,180
Defined benefit obligations	(142,048)	(125,167)	(132,607)	(117,137)
Provisions	(24,482)	-	-	-
Net temporary differences	80,392	120,911	103,080	118,043
Deferred tax liability (net) at the rate of 35%	28,137	42,319	36,078	41,315

The amount of deferred tax assets and liabilities recognised in the Balance Sheet for each year is presented as follows:

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Deferred tax assets	(7,941)	-	-	-
Deferred tax liabilities	36,078	42,319	36,078	41,315
	28,137	42,319	36,078	41,315
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items				
Tax losses as at 31 March 2010 (Note 9.2)	12,805	19,861	-	-
Unrecognised deferred tax asset	4,482	6,951	-	-

Deferred tax asset in respect of above has not been recognised because it is not probable that future taxable profit will be available.

29. Deferred Income

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
At the beginning of the year	363	1,222	363	1,222
Income deferred during the year	16,673	56	16,137	56
Amortised during the year	(5,261)	(915)	(5,261)	(915)
Balance at the end of the year	11,775	363	11,239	363

Income deferred during the year represents the market value of the telephone system received free of charge. This would be amortised on a systematic basis over the contract period with the supplier of the equipment.

30. Defined Benefit Obligations

<i>As at 31st March</i>	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Present value of unfunded obligation	142,138	125,167	132,607	117,137
Recognised liability for defined benefit obligations	142,138	125,167	132,607	117,137
Balance at the beginning of the year	125,167	107,735	117,137	100,699
Current service cost	10,344	9,325	9,210	8,292
Interest cost	18,774	17,238	17,571	16,111
Actuarial losses/(Gain)	(894)	2,849	(1,673)	1,751
Total charge for the year	28,224	29,412	25,108	26,154
Benefits paid by the plan	(11,247)	(11,980)	(9,638)	(9,716)
	142,144	125,167	132,607	117,137
Transfer to assets classified as held for sale	(6)	-	-	-
Balance at the end of the year	142,138	125,167	132,607	117,137

The current service cost, interest cost and actuarial losses for the year under review are included under Administration Expenses.

An actuarial valuation was carried out on 31st March 2010 by Messrs Actuarial & Management Consultants (Pvt) Ltd.

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

Rate of discount - 11%
Salary increase - 9.5%

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 employees in conformity with SLAS 16 (Revised) - 'Employee Benefits'. 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 2010 amounted to Rs. 157,257,591/- and Rs. 148,673,465/- respectively.

31. Trade and Other Payables

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Trade payables	835,692	168,434	826,593	142,662
Advances received	8,610	9,656	-	9,656
Interest payable	8,008	19,008	8,008	18,990
Unclaimed dividend	2,669	1,791	2,669	1,791
Value Added Tax (VAT)/Turnover tax payable	52,385	57,211	48,860	53,348
Other payables and accrued expenses	252,265	124,709	188,747	93,894
	1,159,629	380,809	1,074,877	320,341

32. Income Tax Payable/(Recoverable)

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
At the beginning of the year	(36,189)	40,225	(34,367)	49,972
Income tax for the year - Net of deferred tax (Note 9)	153,553	64,390	122,350	46,433
	117,364	104,615	87,983	96,405
Tax paid during the year:				
Economic Service Charge	52,471	49,174	44,996	45,000
Income Tax and Social Responsibility Levy (SRL)	43,013	60,196	38,137	55,043
Payments pertaining to previous year	16,576	31,434	15,033	30,729
	112,060	140,804	98,166	130,772
Net tax payable/(recoverable)	5,304	(36,189)	(10,183)	(34,367)
Made up as follows:				
Income tax recoverable	(10,251)	(36,189)	(10,183)	(34,367)
Income tax payable	15,555	-	-	-
	5,304	(36,189)	(10,183)	(34,367)

33. Short-Term Interest Bearing Borrowings

	Consolidated		Company	
	2009/10 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2008/09 Rs. '000
Short-term bank loans	1,211,132	1,595,720	1,188,610	1,558,459
Bank overdrafts	90,384	206,706	82,300	193,925
	1,301,516	1,802,426	1,270,910	1,752,384

Unutilised bank facilities as at 31st March 2010 amounted to Rs. 2,606,428,606/- (2009 - Rs. 2,943,262,676/-). Inventories and book debts amounting to Rs. 95,000,000/- are pledged as securities for short-term interest bearing loans and borrowings.

34. Related Party Disclosures

The Company carried out transactions in ordinary course of its business on an arms length basis with parties who are defined as related parties in Sri Lanka Accounting Standard 30 (Revised 2005) - Related Party Disclosures, the details of which are reported below.

34.1 Parent and Ultimate Controlling Party

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

34.2 Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standards 30 (Revised 2005) - 'Related Party Disclosures', Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the Company (including executive and Non-Executive Directors) and their immediate family members have been classified as Key Management Personnel of the Company.

As the Diesel & Motor Engineering PLC is the ultimate parent of its subsidiaries and the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group, the Directors of the Company have been identified as the KMPs of the Group.

Therefore, officers who are only Directors of the subsidiaries and not of the Company have been classified as KMP of the subsidiary only.

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

34.2.1 The Compensation of Key Management Personnel - (KMPs)

Compensation to Key Management Personnel of the Company are disclosed in Note 8 to the Financial statements.

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

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

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

34.2.5 The shareholding of the Key Management Personnel together with their close family members are disclosed on page 130 - Annual Report of the Board of Directors.

34.2.6 The names of the Directors of Diesel & Motor Engineering PLC, who are also Directors of other companies are given on page 14 - Board of Directors.

34.3 Transactions with Close Family Members

Immediate family members are those family members 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.

No losses have been recorded against balances outstanding during the period with KMP and their immediate family members as at the Balance Sheet date.

34.4 Dealings with Subsidiaries, Associates and Jointly Controlled Entities

34.4.1 Transactions with Fully Owned Subsidiaries and Jointly Controlled Entities

Name of the Company	Dimo (Pvt) Ltd.	Dimo Industries (Pvt) Ltd.	Dimo Travels (Pvt) Ltd.	Dimo-KLN Industries (Pvt) Ltd.	Total
Relationship	Subsidiary 100%	Subsidiary 100%	Subsidiary 100%	Jointly Controlled entity/49%	Total
Shareholding	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance as at 1st April 2009	41,355	26,783	(375)	4,624	72,387
Sale of goods and services	2,044	-	-	-	2,044
Purchases of goods and services	(2,293)	(29)	-	-	(2,322)
Expense incurred - net	39,346	(1,119)	22	-	38,247
Fund transfers - net	(117,350)	(2,370)	-	(4,624)	(124,344)
Closing balance as at 31st March 2010	(36,898)	23,265	(353)	-	(13,989)

34.4.2 The outstanding balances with related parties are not secured.

34.4.3 The guarantees and letters of credit taken on behalf of Dimo (Pvt) Ltd., as at 31st March 2010 amounted to Rs. 88 mn (2008/09 Rs. 267 mn).

34.4.4 No provisions were made for bad and doubtful debts nor write-off against any related parties.

35. Warranties

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

36. Commitments and Contingencies

36.1 Capital Expenditure Commitments

There are no capital expenditure commitments as at 31st March 2010.

36.2 Contingent Liabilities

Guarantees

The contingent liability as at 31st March 2010 on guarantees given by Diesel & Motor Engineering PLC, in respect of bid bonds and performance bonds amounted to Rs. 588,578,269/- (2008/09 - Rs. 413,706,559/-).

Litigation Against the Company

a. The claims for lawsuits filed against the Company as at 31st March 2010 amounts to Rs. 27.5 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. Accordingly, no provision for any liability has been made in the Financial Statements.

37. Events Occurring After the Balance Sheet Date

Subsequent to the Balance Sheet date the Board of Directors of the Company approved the final dividend of Rs. 4/- per share for the year ended 31st March 2010. Details of the above dividend are disclosed in Note 12 to the Financial Statements.

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