

SECTION 1 - FINANCIAL STATEMENTS

This section identifies the Financial Statements of the Company and the Group, and presents the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. The Responsibility for the Financial Statements and its authorisation is also identified in this section.

Consolidated Financial Statements

The financial statements for the year ended 31st March 2023 comprise "Company" referring to Diesel and Motor Engineering PLC as the holding company, and the "Group" referring to the companies that have been consolidated therein together with the group's Interests in Equity Accounted Investees.

Composition of Financial Statements

The Financial Statements comprise of the following;

- Statement of Profit or Loss and Other Comprehensive Income (Page 127)
- Statement of Financial Position (Page 128)
- Statement of Changes in Equity (Page 129)
- Statement of Cash Flows (Pages 130 - 131)
- Notes to the Financial Statements comprising of Corporate Information (Section 2), Basis of Accounting (Section 3), Specific Accounting Policies and Notes (Section 4) and other disclosures (Section 5). (pages 131 - 192)

Responsibilities for the Financial Statements

The Board of Directors acknowledges their responsibility for Financial Statements, as set out in the Annual Report of the Board of Directors, Statement of Directors' Responsibilities for Financial Statements and in the certification on the Statement of Financial Position on pages 113 - 118 and 120 respectively, of this Annual Report.

Authorisation of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st March 2023, were authorised for issue by the Board of Directors on 5th June 2023.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group			Company		
		2023 Rs.'000	2022 Rs.'000	Change %	2023 Rs.'000	2022 Rs.'000	Change %
Revenue	4.1	35,299,201	37,507,480	(6)	26,668,117	30,086,993	(11)
Cost of sales		(21,750,718)	(27,643,775)	(21)	(15,591,191)	(21,741,818)	(28)
Gross profit		13,548,483	9,863,705	37	11,076,926	8,345,175	33
Other operating income	4.3	295,694	220,499	34	511,783	506,333	1
Selling and distribution expenses		(536,020)	(497,640)	8	(496,629)	(518,780)	(4)
Impairment loss on trade receivables	4.16.1.1	(79,680)	(117,195)	(32)	(124,838)	(40,370)	209
Administrative expenses		(7,929,324)	(6,055,956)	31	(6,433,095)	(5,289,252)	22
Operating profit		5,299,153	3,413,413	55	4,534,147	3,003,106	51
Finance income		141,859	56,313	152	491,979	27,565	1,685
Finance costs		(4,708,351)	(2,320,011)	103	(4,232,256)	(2,303,824)	84
Net finance costs	4.4	(4,566,492)	(2,263,698)	102	(3,740,277)	(2,276,259)	64
Share of results of equity-accounted investees, net of tax	4.12.5	4,595	15,630	(71)	4,595	15,630	(71)
Profit before tax	4.5	737,256	1,165,345	(37)	798,465	742,477	8
Income tax expense	4.6.2	(39,112)	(310,975)	(87)	(154,649)	(159,500)	(3)
Profit for the year		698,144	854,370	(18)	643,816	582,977	10
Other Comprehensive Income							
Items that will not be reclassified to profit or loss in subsequent periods							
Remeasurement (loss)/gain on defined benefit obligation	4.23.1	49,315	(15,399)	(420)	42,712	(14,723)	(390)
Deferred tax reversal/(charge) on actuarial (loss)/gain	4.24.1	(13,660)	3,696	(470)	(12,814)	3,534	(463)
Income tax rate change impact on revaluation of freehold land	4.24.3	(493,462)	-	100	(480,800)	-	100
Net change in fair value of equity investments at FVOCI		(1,604)	2,224	(172)	(2,529)	1,415	(279)
		(459,411)	(9,479)		(453,431)	(9,774)	
Items that are or may be reclassified to profit or loss in subsequent periods							
Foreign currency translation differences of foreign operations	4.21.2	(87,509)	62,471	240	(58,313)	48,941	219
		(87,509)	62,471		(58,313)	48,941	
Total other comprehensive income, net of tax		(546,920)	52,992	1,132	(511,744)	39,167	1,407
Total comprehensive income for the year		151,224	907,362	(83)	132,072	622,144	(79)
Profit attributable to:							
Equity holders of the parent		579,060	702,119		643,816	582,977	10
Non-controlling interest		119,084	152,251		-	-	-
		698,144	854,370		643,816	582,977	10
Total comprehensive income attributable to:							
Equity holders of the parent		33,403	753,108		132,072	622,144	(79)
Non-controlling interest		117,821	154,254		-	-	-
		151,224	907,362		132,072	622,144	(79)
Basic and diluted earnings per share (Rs.)	4.7	62.73	76.06		69.74	63.15	
Dividend per share (Rs.)	4.8	-	-		12.50	12.50	

Figures in brackets indicate deductions.


The Notes appearing on pages 132 to 192 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Assets					
Property, plant and equipment	4.9	14,429,034	14,071,712	13,536,452	13,648,665
Right-of-use assets	4.10	678,523	624,385	464,367	548,254
Intangible assets and goodwill	4.11	1,467,922	316,123	551,306	194,726
Investments in subsidiaries	4.12.1	-	-	1,669,224	728,278
Investments in equity accounted investees	4.12.5	101,933	45,430	101,933	45,430
Equity securities	4.14	864	7,829	864	6,952
Other financial assets	4.17.1	18,461	-	-	-
Deferred tax assets	4.24	565,422	164,436	-	-
Total non-current assets		17,262,159	15,229,915	16,324,146	15,172,305
Inventories	4.15	9,978,466	9,799,949	6,103,387	7,529,200
Trade and other receivables	4.16	7,360,070	9,299,796	4,095,221	6,944,985
Other current assets	4.17	1,938,063	2,032,933	1,142,192	1,149,175
Income tax receivable	4.29	111,453	83,377	16,632	-
Amounts due from related parties	4.30.1	53,206	40,923	2,823,242	1,070,985
Cash and cash equivalents	4.18	2,858,970	3,818,097	1,552,370	2,337,628
Total current assets		22,300,228	25,075,075	15,733,044	19,031,973
Total assets		39,562,387	40,304,990	32,057,190	34,204,278
Equity and Liabilities					
Equity					
Stated capital	4.19	620,578	620,578	620,578	620,578
Other components of equity	4.21	5,611,961	6,202,697	5,601,495	6,149,097
Revenue reserves	4.20	8,743,765	8,237,608	7,477,206	6,912,926
Equity attributable to equity holders of the parent		14,976,304	15,060,883	13,699,279	13,682,601
Non-controlling interests		377,327	405,604	-	-
Total equity		15,353,631	15,466,487	13,699,279	13,682,601
Interest bearing borrowings	4.22.1.1	1,258,065	1,164,133	1,094,703	1,164,133
Lease liabilities	4.22.3.1	348,696	574,443	135,685	505,849
Employee benefits	4.23.1	990,362	864,286	869,903	781,892
Deferred tax liabilities	4.24	2,131,667	1,417,856	2,066,118	1,417,856
Contract liabilities	4.25.1	287,355	361,524	7,736	22,663
Total non-current liabilities		5,016,145	4,382,242	4,174,145	3,892,393
Trade and other payables	4.27	1,506,933	7,793,051	944,545	7,292,195
Other current liabilities	4.28	2,952,500	3,045,424	1,781,028	2,179,222
Current portion of long-term interest bearing borrowings	4.22.1.1	714,746	564,441	524,846	559,541
Lease liabilities	4.22.3.1	424,984	105,140	397,727	78,039
Contract liabilities	4.25.1	1,302,993	1,221,572	470,970	365,358
Income tax payable	4.29	87,372	503,666	-	441,451
Short-term interest- bearing borrowings	4.22.2	11,757,223	7,222,967	9,977,541	5,712,212
Amounts due to related parties	4.30.1	445,860	-	87,109	1,266
Total current liabilities		19,192,611	20,456,261	14,183,766	16,629,284
Total liabilities		24,208,756	24,838,503	18,357,911	20,521,677
Total equity and liabilities		39,562,387	40,304,990	32,057,190	34,204,278
Net assets per share		1,622.31	1,631.47	1,483.97	1,482.17

Certification

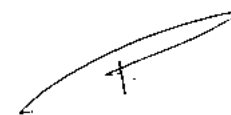
These Financial Statements as set out on pages 126 to 192 have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



M.H.B.U.S.B. Mahagedara
General Manager - Finance

The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board,



A.R. Pandithage
Chairman/Managing Director



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

05th June 2023
Colombo

The Notes appearing on pages 132 to 192 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Note	Stated Capital	Other Components of Equity			Revenue Reserves		Non-Controlling Interests	Total
		Rs.'000	Revaluation Reserve Rs.'000	Fair value Reserve Rs.'000	Foreign Currency Translation Reserve Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	Rs.'000	Rs.'000
Group									
As at 01st April 2021		425,297	6,112,161	4,147	23,697	5,392,290	2,584,390	419,270	14,961,252
Total comprehensive income									
Profit for the year		-	-	-	-	-	702,119	152,251	854,370
Other comprehensive income, net of tax		-	-	2,224	60,468	-	(11,703)	2,003	52,992
		-	-	2,224	60,468	-	690,416	154,254	907,362
Acquisition of non-controlling interests							(123,252)	(167,920)	(291,172)
Capitalisation of reserves	4.19	195,281	-	-	-	-	(195,281)	-	-
Dividends to equity holders									
2020/21 final dividend	4.8	-	-	-	-	-	(110,955)	-	(110,955)
		195,281	-	-	-	-	(429,488)	(167,920)	(402,127)
As at 31st March 2022		620,578	6,112,161	6,371	84,165	5,392,290	2,845,318	405,604	15,466,487
As at 01st April 2022		620,578	6,112,161	6,371	84,165	5,392,290	2,845,318	405,604	15,466,487
Total comprehensive income									
Profit for the year		-	-	-	-	-	579,060	119,084	698,144
Derecognition of financial assets due to disposal - FVOCI	4.14	-	-	(6,837)	-	-	6,837	-	-
Other comprehensive income, net of tax		-	(493,462)	(1,604)	(86,246)	-	35,654	(1,263)	(546,920)
		-	(493,462)	(8,441)	(86,246)	-	621,551	117,821	148,636
Acquisition of non-controlling interests		-	-	-	-	-	-	(146,098)	(146,098)
Dividends to equity holders									
2021/22 final dividend	4.8	-	-	-	-	-	(115,394)	-	(115,394)
		-	-	-	-	-	(115,394)	(146,098)	(261,492)
As at 31st March 2023		620,578	5,618,699	(2,070)	(2,081)	5,392,290	3,351,475	377,327	15,353,631
Company									
As at 01st April 2021		425,297	6,090,133	4,087	4,521	4,929,464	1,717,910	-	13,171,412
Total comprehensive income									
Profit for the year		-	-	-	-	-	582,977	-	582,977
Other comprehensive income, net of tax		-	-	1,415	48,941	-	(11,189)	-	39,167
		-	-	1,415	48,941	-	571,788	-	622,144
Capitalisation of reserves	4.19	195,281	-	-	-	-	(195,281)	-	-
Dividends to equity holders									
2020/21 final dividend	4.8	-	-	-	-	-	(110,955)	-	(110,955)
		195,281	-	-	-	-	(306,236)	-	(110,955)
As at 31st March 2022		620,578	6,090,133	5,502	53,462	4,929,464	1,983,462	-	13,682,601
As at 01st April 2022		620,578	6,090,133	5,502	53,462	4,929,464	1,983,462	-	13,682,601
Total comprehensive income									
Profit for the year		-	-	-	-	-	643,816	-	643,816
Derecognition of financial assets due to disposal - FVOCI	4.14	-	-	(5,960)	-	-	5,960	-	-
Other comprehensive income, net of tax		-	(480,800)	(2,529)	(58,313)	-	29,898	-	(511,744)
		-	(480,800)	(8,489)	(58,313)	-	679,674	-	132,072
Dividends to equity holders									
2021/22 final dividend	4.8	-	-	-	-	-	(115,394)	-	(115,394)
		-	-	-	-	-	(115,394)	-	(115,394)
As at 31st March 2023		620,578	5,609,333	(2,987)	(4,851)	4,929,464	2,547,742	-	13,699,279

The General Reserve and Retained Earnings represent reserves available for distribution.

Revaluation reserve relates to the revaluation of land

Fair value reserve consists of net unrealised gains/(losses) arising from fair valuation of equity securities designated at FVOCI, excluding the impact arising from impairment of assets.

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Figures in brackets indicate deductions.

The Notes appearing on pages 132 to 192 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cash Flows from Operating Activities					
Profit before taxation		737,256	1,165,345	798,465	742,477
Adjustments for;					
Depreciation on property, plant and equipment	4.9	402,872	383,785	337,891	325,957
Amortisation of intangible assets	4.5	11,145	11,615	7,454	8,309
Depreciation and derecognition of right-of-use assets		146,015	100,751	113,020	78,948
Unrealised loss on foreign exchange	4.22.1.1	12,553	68,030	32,642	68,030
Impairment of investments in subsidiaries	4.12.2	-	-	-	96,649
Gains on sale of property, plant and equipment	4.3	(281)	(21,092)	(3,116)	(22,093)
De-recognition of capital work-in-progress	4.9	5,696	115,358	5,696	115,358
Interest expenses	4.4	3,386,283	850,492	2,862,266	652,993
Interest income	4.4	(141,859)	(56,313)	(491,979)	(27,565)
Dividend income	4.3	(320)	(235)	(320)	(235)
Share of gain of equity-accounted investees, net of tax	4.12.5	(4,595)	(15,630)	(4,595)	(15,630)
Impairment loss on trade receivables	4.5	79,680	117,195	124,838	40,370
Provision on inventories	4.5	783,327	97,915	669,140	112,091
Provision for employee benefits obligation excluding actuarial gain	4.5.1	193,117	125,721	164,583	110,050
		5,610,889	2,942,937	4,615,985	2,285,709
Changes in working capital					
(Increase)/decrease in inventories		(921,206)	(3,699,046)	756,673	(3,254,795)
(Increase)/decrease in trade and other receivables		1,935,955	(835,439)	2,724,925	(714,172)
(Increase)/decrease in other current assets		470,193	(408,975)	6,783	(32,775)
(Increase)/decrease in amounts due from related parties		36,468	(22,281)	(1,752,257)	(1,043,714)
(Increase)/decrease in trade payables		(6,460,673)	2,661,826	(6,347,650)	2,967,798
(Increase)/decrease in other current liabilities		(240,466)	502,136	(398,194)	446,349
(Decrease) in deferred Income		-	(546,521)	-	(546,521)
(Decrease)/increase in contract liabilities		(93,690)	399,886	65,779	(120,468)
(Decrease)/increase in amounts due to related parties		-	-	10,841	(42,130)
Cash generated from/(used in) operating activities		337,470	994,523	(317,115)	(54,719)
Interest paid					
Interest paid		(3,136,991)	(842,042)	(2,709,148)	(644,543)
Employee benefits paid	4.23	(62,972)	(74,842)	(33,859)	(58,720)
Income tax paid	4.29	(620,315)	(417,628)	(457,883)	(269,912)
Net cash (used in) operating activities		(3,482,808)	(339,989)	(3,518,005)	(1,027,894)
Cash Flows from Investing Activities					
Net proceeds from sale of property, plant and equipment		45,888	43,523	45,018	43,406
Dividends received		320	235	320	235
Interest received		141,859	48,555	491,979	27,565
Investment in deposits		-	(192,850)	-	-
Investments in other financial assets		(23,277)	-	-	-
Net proceed from sale of equity securities		6,989	-	3,568	-
Investment in subsidiaries and equity accounted investees		(51,250)	(202,184)	(917,194)	(202,184)
Acquisition of subsidiaries, net of cash acquired	4.11	(512,465)	-	-	-
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	(497,395)	(753,695)	(271,251)	(676,491)
Acquisition of intangible assets and capital work-in-progress		(365,546)	(180,630)	(365,303)	(180,449)
Net cash used in investing activities		(1,254,876)	(1,237,046)	(1,012,863)	(987,918)

For the year ended 31st March	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cash Flows from Financing Activities					
Proceeds from long-term borrowings	4.22.1.1	440,000	652,130	440,000	652,130
Repayment of long-term borrowings	4.22.1.1	(654,151)	(481,796)	(580,921)	(460,678)
Net movement of short-term borrowings		4,212,568	4,154,507	4,048,665	3,502,787
Repayment of lease liabilities		(165,222)	(99,999)	(135,942)	(58,956)
Dividends paid	4.20	(115,394)	(110,955)	(115,394)	(110,955)
Net cash from financing activities		3,717,801	4,113,887	3,656,408	3,524,328
Net increase/(decrease) in cash and cash equivalents		(1,019,883)	2,536,852	(874,463)	1,508,516
Cash and cash equivalents as at 01st April		3,653,478	1,040,328	2,299,207	745,684
Effect of exchange rate changes on cash and cash equivalents		(65,442)	76,298	(59,961)	45,007
Cash and cash equivalents as at 31st March (Note - A)		2,568,153	3,653,478	1,364,783	2,299,207
Note - A					
Analysis of cash and cash equivalents as at 31st March					
Cash and bank balances	4.18	2,858,970	3,818,097	1,552,370	2,337,628
Bank overdrafts	4.22.2	(290,817)	(164,619)	(187,587)	(38,421)
Cash and cash equivalents		2,568,153	3,653,478	1,364,783	2,299,207

Figures in brackets indicate deductions.

The Notes appearing on pages 132 to 192 form an integral part of these Financial Statements.