

# Financial Reports — Notes to the Financial Statements

## 1. Corporate Information

### 1.1 Reporting Entity

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

The staff strength of the Company as at 31st March 2013 was 1,367 (2011/12 - 1,222).

### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements of Diesel & Motor Engineering PLC as at and for the year ended 31st March 2013 comprise the Company and its fully-owned Subsidiaries (together referred to as the 'Group' and individually as 'Group Entities').

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

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

### 1.3 Principal Activities and Nature of Operations

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

Entity	Principal Business Activities
<b>The Company</b>	
Diesel & Motor Engineering PLC	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, power tools, import & sale of vehicle spares, components, accessories, providing lighting solutions and storage systems.
<b>Fully-owned Subsidiaries</b>	
Dimo (Pvt) Ltd.	Sale and after sales services of biomedical equipment, power engineering solutions, building technologies, generator sets, diesel engines for marine propulsion & rail traction, and fluid management systems.
Dimo Travels (Pvt) Ltd.	Provision of transportation facilities.
Dimo Industries (Pvt) Ltd.	The business operations of the Company were ceased and its business activities (Retreading of tyres) were transferred to M/s Diesel & Motor Engineering PLC in December 2010. As per a revitalisation plan, import & sale of passenger car tyres were commenced w.e.f. 1st April 2013.

There were no significant changes in the nature of the principal activities of the Group and the Company during the financial year under review and activities of the Group are described in more detail in the 'Group Structure' on page 122.

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

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

## 2. Basis of Preparation

### 2.1 Statement of Compliance

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

For all periods up to and including the year ended 31st March 2012, the Group prepared its Financial Statements in accordance with SLASs which were effective up to 31st March 2012 (previous SLASs). The Financial Statements for the year ended 31st March 2013 are prepared and presented in accordance with new Sri Lanka Accounting Standards (new SLASs) effective from 1st April 2012.

These annual Financial Statements for the year ended 31st March 2013 are the first Consolidated Financial Statements of the Group and the Company prepared in accordance with new Sri Lanka Accounting Standards including Sri Lanka Accounting Standard - SLFRS 1 on 'First-time Adoption of Sri Lanka Accounting Standards'.

An explanation of as to how the transition to new SLASs has affected the reported financial position and financial performance of the Group and the Company is provided in Note 38 on pages 113 to 120.

### 2.2 Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and its subsidiaries as per provisions of Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

The Board of Directors acknowledges this responsibility as set out in the 'Statement of Directors' Responsibilities for Financial Statements', 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position on pages 78 and 79 respectively, of this Annual Report.

The Financial Statements include following components:

- **The Income Statement and the Statement of Comprehensive Income:** providing information on the financial performance of the Group and the Company for the year. (Refer page 81)
- **The Statement of Financial Position:** providing information on the financial position of the Group and the Company as at the year. (Refer page 82)
- **The Statement of Changes in Equity:** providing information on the movements of stated capital and reserves of the Group and the Company during the period under review. (Refer page 83)
- **The Statement of Cash Flow:** providing information to the users, on generating cash and cash equivalents and utilisation of the same. (Refer page 84 & 85)
- **Notes to the Financial Statements:** comprising accounting policies and other notes.

### 2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st March 2013, were authorised for issue by the Board of Directors on 21st May 2013.

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### 2.4 Basis of Measurement

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

Item and Basis of Measurement	Note	Page Reference
Land included under property, plant & equipment is measured at cost at the time of acquisition and subsequently at revalued amounts when land is revalued, which are the fair values at the date of revaluation, less accumulated provision for impairment, if any.	16a	101
Financial assets available-for-sale are measured at fair value.	20	103
Liability for defined benefit obligations is recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.	27	106

### 2.5 Functional and Presentation Currency

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

#### 2.5.1 Transactions and Balances

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

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

### 2.6 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with SLASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements of the Group and Company are as follows:

#### ● Going Concern

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

#### ● Provisions for Contingent Liabilities

The Group receives legal claims against it in the normal course of business. The Management considers likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions. Please refer details available in Note 3.3.4 for further details on contingent liabilities.

#### ● Impairment Losses on Trade Receivables

The Group estimates an impairment loss on trade and other receivables as explained in note 3.2.5.2.2. Management's judgment is used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made. Trade receivables that are significant are individually assessed for impairment. Remaining trade receivables that are not significant when individually taken, are assessed collectively for impairment. The collective assessment takes account of data from the historical payment patterns and judgment on the effect of concentrations of risks and economic environment.

#### ● Impairment Losses on Non Financial Assets

The Group assesses whether there are any indicators of impairment for an asset at each reporting date or more frequently, if events or changes in circumstances necessitate doing so. This requires the estimation of the 'value in use' of such individual assets. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty. Specific accounting policies on impairment of assets are made available in 3.2.2.7 on page 89.

#### ● Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. (Refer Note 3.5.2 on page 93).

#### ● Defined Benefit Obligation

The cost of the defined benefit obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, and mortality rates. Due to the long term nature of these obligation, such estimates are subject to significant uncertainty. Refer Note 3.3.3.2 on page 91.

#### ● Income Tax

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

## Financial Reports — Notes to the Financial Statements

### 2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Sri Lanka Accounting Standard - 'Framework for the Preparation and Presentation of Financial Statements'.

### 2.8 Offsetting

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

### 2.9 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, except where otherwise indicated, as permitted by Sri Lanka Accounting Standard - 'Framework for the Preparation and Presentation of Financial Statements'.

## 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements and have been applied consistently by the Company and its entities.

### 3.1 Basis of Consolidation

#### 3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are also taken into account. 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 list of the Group's subsidiaries is set out in Note 19 to the Financial Statements.

Financial Statements of the Group entities are prepared to a common financial year ending 31st March, using uniform accounting policies. Transactions and events in similar circumstances are applied with said accounting policies on a consistent basis.

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

#### 3.1.2 Transactions Eliminated on Consolidation

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

### 3.2 Assets and Basis of their Valuation

#### 3.2.1 Investments in Subsidiaries

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

#### 3.2.2 Property, Plant & Equipment

The Group applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets which are held for and use in the provision of services, or for administrative purposes and are expected to be used for more than one year.

##### 3.2.2.1 Basis of Recognition

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

##### 3.2.2.2 Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

##### 3.2.2.2.1 Cost Model

Property, plant & equipment (excluding freehold land) is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

##### 3.2.2.2.2 Revaluation Model

Initially, freehold land is recognised at cost and subsequently such properties are carried at a revalued amount when they are revalued, being their fair value at the date of revaluation, less any subsequent accumulated impairment loss.

Revaluation of entire freehold land of the Company is carried out every three years or when there is a substantial difference between the fair value and the carrying amount to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

Any revaluation surplus is recognised in the Statement of Comprehensive Income and accumulated in equity in the capital reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised

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in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the capital reserve.

Revaluation is undertaken by a professionally qualified valuer.

### 3.2.2.3 Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that in the future economic benefits associated with the expenditure will flow to the Group/Company. Ongoing repair and maintenance expenses are recorded in the Income Statement.

### 3.2.2.4 Derecognition

An item of property, plant & equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised.

### 3.2.2.5 Depreciation

Depreciation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of items of each part of an item of property, plant & equipment. 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.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Class of Asset	Years
Buildings	36 - 40
Leasehold buildings	over the lease period
Plant & machinery	08 - 13
Workshop implements	03 - 04
Motor vehicles	03 - 04
Furniture & fittings	09 - 13
Office equipment & electrical fittings	06 - 10
Computer hardware & software	03 - 04

The above assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

### 3.2.2.6 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings and plant and machinery, awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset category in PP&E when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost, including borrowing costs, less any accumulated impairment losses.

### 3.2.2.7 Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists,

then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

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

Impairment losses are recognised in the Income Statement, except for freehold land revalued, where the revaluation surplus was taken to equity. In such an event, the impairment loss is recognised under other comprehensive income and presented in the revaluation reserve within equity, to the extent that it reverses a previous revaluation surplus related to the same asset. Any excess is recognised in the 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.

## 3.2.3 Intangible Assets

### 3.2.3.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 38 on 'Intangible Assets'.

Intangible assets that are acquired by the Group/Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

### 3.2.3.2 Subsequent Expenditure

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

### 3.2.3.3 Useful Economic Lives, Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in the 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 intangible assets included in the Financial Statements represent cost of computer software and the amortisation rate is as follows:

Class of Asset	Years
Computer Software	4

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

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The Group's intangible assets, with the reconciliation of carrying amount, accumulated amortisation at the beginning and the end of the year is given in Note 18 to the Financial Statements on page 102 of this Annual Report. Amortisation expenses of intangible assets are included in administrative expenses in the Income Statement.

### 3.2.3.4 Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds, and the carrying amount of the assets and are recognised in the Income Statement.

### 3.2.3.5 Impairment

Intangible assets with indefinite useful lives are tested for impairment annually as at 31st March either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### 3.2.4 Lease Rentals Paid in Advance

Lease rentals paid in advance is stated at cost less accumulated amortisation. Such carrying amounts are amortised over the remaining lease period or useful life of the leasehold property whichever is shorter. Details of lease rentals paid in advance are given in Note 17 to the Financial Statements.

### 3.2.5 Financial Assets

#### 3.2.5.1 Measurement and Recognition

##### 3.2.5.1.1 Financial Assets Available-for-Sale (AFS)

Financial assets available-for-sale consist of investments in quoted shares, which are non-derivative instruments, AFSs are carried at fair value. Dividend income is recognised in the Income Statement when the Group becomes entitled to receive the dividend.

After initial measurement, AFSs are subsequently measured at fair value with unrealised gain or losses recognised through other comprehensive income in the 'financial assets available-for-sales reserve' (AFS reserve) until the investment is derecognised, at which time the cumulative gain or loss is recognised under other operating income. In the event of the financial asset being deemed to be impaired, the cumulative loss is shown in the Income Statement under finance costs at which time it will be removed from the 'AFS reserve'.

##### 3.2.5.1.2 Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments. They are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate method, less provision for impairment.

#### 3.2.5.2 Impairment of Financial Assets

##### 3.2.5.2.1 Impairment of Financial Assets Available-for-Sale

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

##### 3.2.5.2.2 Impairment of Trade and Other Receivables

The Company considers evidence of impairment of receivables at both specific asset level and at collective level. All individually significant receivables are assessed for specific impairment. Receivables not individually assessed are then collectively assessed for any impairment. Receivables that are considered for collective impairment are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

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

### 3.2.6 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash balances, investments in government treasury bills and short-term deposits with an original maturity of three months or less. Cash and Bank balances are stated at recoverable values. Short-term deposits are stated at recoverable value of the deposit. Treasury bills are stated at gross value less unearned interest. There were no cash and cash equivalents held by the Group companies that were not available for use. Bank overdrafts and short-term borrowings that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. Details of cash and cash equivalents are given in Note 24 to the Financial Statements on page 105.

### 3.2.7 Derecognition of Financial Assets

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

- a. The right to receive cash from the assets have expired
- b. The Group has transferred its right to receive cash flow from the asset or has assumed an obligation to pay the received cash in full without material delay to a third party under a 'pass through' arrangement, and either,
  - i. The Group: has transferred substantially all the risk and rewards of the assets, or
  - ii. has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control of the assets

### 3.2.8 Other Current Assets

Other current assets include advances, deposits and prepayments.

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

### 3.2.9 Current Tax Assets/Liabilities

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



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### 3.2.10 Inventories

#### 3.2.10.1 Stock in Trade

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

All inventory items are measured at weighted average of the directly attributable costs and include expenditure incurred in acquiring the inventories and bringing them to their present location and condition but excluding borrowing costs. Work in progress is measured at cost including all directly attributable costs.

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

#### 3.2.10.2 Goods-in-Transit

Inventory items shipped, but not received by the Company as at the reporting date are treated as goods-in transit. In such situations, estimates are made for unpaid bills in order to value goods-in-transit.

### 3.3 Liabilities and Provisions

#### 3.3.1 Liabilities

##### 3.3.1.1 Long-Term and Short-Term Borrowings

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

##### 3.3.1.2 Trade Payables

Trade payables are due within ninety days and are recorded at amounts expected to be paid.

##### 3.3.1.3 Dividends

Dividends declared during the year on ordinary shares, are recognised as a liability and deducted from equity when they are approved by the Board of Directors. Dividends for the year approved after the reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standard - LKAS 10 on 'Events after the Reporting Period'.

##### 3.3.1.4 Other Current Liabilities

Other current liabilities include accruals and advances. These liabilities are recorded at the amounts that are expected to be paid.

##### 3.3.1.5 Amounts due to Subsidiaries

Amount due to subsidiaries are recorded in the Company's Financial Statements at the amounts expected to be paid.

#### 3.3.2 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset when the reimbursement is certain.

The expense relating to any provision is presented in the Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

##### 3.3.2.1 Provision for Extended Warranty

The Company may offer extended warranties on vehicles on its own account in certain circumstances. The extended warranty is provided by giving a warranty period that goes beyond the warranty provided by manufacturers. The Company recognises a provision for such warranty given when the product is sold. The quantum of the provision is based on the historical experience. The said extended warranty provision will be reversed upon expiration of warranty period.

#### 3.3.3 Employee Benefits

##### 3.3.3.1 Defined Contribution Plans

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

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

##### 3.3.3.2 Defined Benefits Obligations

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

The calculation is performed annually by a qualified actuary using the projected unit credit method (PUC). The Company recognises all actuarial gain and loss arising from defined benefit obligation immediately in other comprehensive income. The discount rate is the yield at the reporting date based on six year government bonds.

The liability is not externally funded.

##### 3.3.3.3 Short-Term Benefits

Short-term employee benefit obligations are measured at cost and are expensed as and when the related service is provided.

#### 3.3.4 Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

No provision for any claims has been made in the Financial Statements. The contingent liabilities are disclosed in Note 36.2 to the Financial Statement.

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### 3.3.5 Deferred Income

#### ⊙ Arising from Sale and Lease Back Transactions

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

#### ⊙ Arising from Undelivered Free Services Relating to Sale of Vehicles

The Company sells vehicles bundled with the free services to the customers with warranty limitations on mileage or usage period. The unprovided free services are measured on each reporting date by using relative fair value method and shown in the Statement of Financial Position under deferred income. Fair value in connection with the used or expired free service income is transferred to the Income Statement.

### 3.3.6 Offsetting of Financial Assets and Liabilities

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

## 3.4 The 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 the Company performance.

### 3.4.1 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 Group separately identifies different components of a single transaction in order to reflect the substance of the transaction. The following specific criteria are used for the purpose of recognition of revenue.

#### a. Sale of Goods

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

#### b. Provision of Services

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

#### c. Construction Related Contracts

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

#### d. Service Support Income

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

#### e. Free Services Income Bundled With Vehicle Sales

Revenue arising from free service are deferred using relative fair value basis and recognised as and when the revenue recognition criteria are fulfilled i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

#### f. Rent Income

Rent income is recognised as it accrues.

#### g. Dividend Income

Dividend income is recognised when the entity becomes entitled to receive the dividend.

#### h. Other Comprehensive Income (OCI)

OCI refers to revenues, expenses, gains and losses that, are classified under comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity. The Group's other comprehensive income is primarily comprised of unrealised gains/losses on marketable securities designated as financial assets available for-sale, actuarial gain/loss, and revaluation adjustments arising from freehold land.

### 3.4.2 Finance Income and Expenses

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

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables).

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

### 3.4.3 Borrowing Costs

As per the Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing costs', the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Income Statement in the period in which they occur.

### 3.4.4 Warranty Cost

Costs incurred by the Company under the terms of the warranty are reimbursed by manufacturers. Any amounts that are not reimbursed under the warranty agreement are charged to the Income Statement.

## 3.5 Income Tax Expense

As per the Sri Lanka Accounting Standards - LKAS 12 on 'Income Taxes', tax expense/(reversal) is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Therefore, it consist of current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI), in which case it is recognised in Equity or in OCI. 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 difference will be adjusted in the current year's income tax charge and/or in the deferred tax assets/liabilities as appropriate in the period in which such determination is made.

## Financial Reports — Notes to the Financial Statements

### 3.5.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years. Note 12 includes the major components of tax expense, the effective tax rates and reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard LKAS - 12 on 'Income Taxes'.

### 3.5.2 Deferred Taxation

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

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

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

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

### 3.5.3 Withholding Tax on Dividends, Distributed by the Company and Group Entities

Withholding Tax (WHT) on dividend arising from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

### 3.6 Events Occurring After the Reporting Date

In accordance with the Sri Lanka Accounting Standard - LKAS 10 on 'Events After the Reporting Period', events after the reporting date are those events that occur between the reporting date and the date when the Financial Statements are authorised to issue. All material Post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

### 3.7 Earnings Per Share (EPS)

EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

## 4. Cash Flow Statement

The Cash flow statement has been prepared using the 'indirect method' in accordance with Sri Lanka Financial Reporting Standard - LKAS 7 on 'Statement of Cash Flows'. 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. The transition from previous SLASs to new SLASs has not had a material impact on the Statement of Cash Flows.

Interest paid is classified under operating cash flows. Dividends received and interest income is classified under cash flows from investing activities. Dividends paid are classified under cash flow from financing activities.

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

## 5. Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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

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

Detailed information of each reportable segment as required by the Sri Lanka Accounting Standard - SLFRS 8 on 'Operating Segments' is provided in Note 8 on page 94.

## 6. Comparative Information

Comparative information is reclassified wherever necessary to conform with the current year's classification in order to provide a better presentation. The details of such reclassifications have been provided in Note 38 to the Financial Statements.

## 7. First-time Adoption of New SLASs

The Group followed the Sri Lanka Accounting Standard - SLFRS 1 on 'First-time Adoption of Sri Lanka Accounting Standards'. An explanation for the adjustments and reclassifications as a consequence of transition from previous SLASs to new SLASs is disclosed in Note 38 to the Financial Statement.



## Financial Reports — Notes to the Financial Statements

### 8. Segment Information

The Group comprises of the following main business segments:

Segment	Products and Services
Vehicles - Sales	- Sale of Brand new Passenger Vehicles, Four-Wheel Drive Vehicles, Commercial Vehicles, Agri Machinery, Special Purpose Vehicles and Pre-owned Passenger Vehicles.
Vehicles - After Services	- Repair and Service of Passenger and Commercial Vehicles, Sale of Vehicle Spare Parts, Accessories and Components.
Marketing and Distribution	- Sale of Power Tools and Accessories, Lamps, Lighting Fittings and Accessories, Tyres and Retreaded Tyres.
Construction & Material Handling Equipment and After Services	- Sales and Services of Earth Moving Machinery, Road Construction Machinery, Forklifts, Material Handling Machinery, Racking Systems, Fluid Management Systems, Dock Levellers and Car Parking Systems.
Electro-Mechanical, Bio Medical Engineering and Marine Solutions	- Sale, Installation, Commissioning and Maintenance of Medical Equipment, Generating Sets, Diesel Engines for Marine Propulsion and Rail Traction, Building Management Systems, Industrial Refrigeration Systems and Power Engineering Equipment and Systems.

### 8.1 Segmental Results and Assets/Liabilities

#### Group

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction & Material Handling Equipment and After Services		Electro Mechanical & Bio Medical Engineering and Marine Solutions		Total	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
For the year ended 31st March												
<b>Business Segment Turnover and Results</b>												
Total segment revenue	20,794,283	33,234,126	2,758,442	2,196,655	2,181,450	2,014,504	1,437,782	2,138,204	1,221,937	868,895	28,393,894	40,452,384
Inter-segment revenue	57,995	89,233	463,793	453,460	47,450	46,412	56,461	-	56,591	336	682,290	589,441
<b>Total external revenue</b>	<b>20,736,288</b>	<b>33,144,893</b>	<b>2,294,649</b>	<b>1,743,195</b>	<b>2,134,000</b>	<b>1,968,092</b>	<b>1,381,321</b>	<b>2,138,204</b>	<b>1,165,346</b>	<b>868,559</b>	<b>27,711,604</b>	<b>39,862,943</b>
<b>Segment results</b>	<b>916,766</b>	<b>3,841,848</b>	<b>445,586</b>	<b>456,170</b>	<b>15,605</b>	<b>125,345</b>	<b>142,765</b>	<b>150,177</b>	<b>186,168</b>	<b>130,319</b>	<b>1,706,890</b>	<b>4,703,859</b>
Unallocated other income/(expenses)	-	-	-	-	-	-	-	-	-	-	35,903	(18,001)
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(857,292)	(707,447)
Finance cost - net	-	-	-	-	-	-	-	-	-	-	(395,480)	(253,890)
Income tax expense	-	-	-	-	-	-	-	-	-	-	(27,871)	(1,022,870)
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>462,150</b>	<b>2,701,651</b>
<b>Business Segment Assets and Liabilities</b>												
Segment assets	3,740,927	6,795,550	1,251,320	1,109,438	1,132,103	1,223,006	492,174	627,668	1,034,883	565,170	7,651,407	10,320,832
Unallocated assets	-	-	-	-	-	-	-	-	-	-	5,248,972	4,979,386
<b>Total assets</b>											<b>12,900,379</b>	<b>15,300,218</b>
Segment liabilities	2,914,312	4,792,748	109,137	32,988	102,724	84,800	23,084	235,810	88,902	39,035	3,238,159	5,185,381
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	2,031,053	2,674,222
Equity	-	-	-	-	-	-	-	-	-	-	7,631,167	7,440,615
<b>Total equity and liabilities</b>											<b>12,900,379</b>	<b>15,300,218</b>
<b>Other Information</b>												
Capital expenditure	12,741	35,488	86,525	61,221	28,395	10,672	5,512	3,838	15,984	7,455	149,157	118,674
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	945,296	832,225
Depreciation	13,759	15,835	52,867	43,459	8,036	3,068	3,389	2,891	6,719	6,981	84,770	72,234
Unallocated depreciation	-	-	-	-	-	-	-	-	-	-	85,763	66,294

## Financial Reports — Notes to the Financial Statements

### 8.2 Segment Cash Flow

For the year ended 31st March	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction & Material Handling Equipment and After Services		Electro Mechanical & Bio Medical Engineering and Marine Solutions		Total	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
<b>Business Segment Cash Flows</b>												
Cash generated from/ (used in) operations	3,855,559	(1,611,812)	678,865	(76,734)	(116,989)	225,486	325,714	(315,373)	(46,286)	(409,612)	4,696,863	(2,188,045)
Net cash flows from/(used in) investing activities	(33,485)	(21,280)	(191,048)	(29,251)	(2,414)	(3,616)	(5,517)	(9,687)	(17,803)	(13,594)	(250,267)	(77,428)
<b>Unallocated Cash Flows</b>												
Common cash (out flow)/inflow											(972,953)	1,759,280
Income tax paid											(265,943)	(1,923,881)
Proceeds from disposal of property, plant & equipment											13,556	25,257
Dividend received											147	165
Interest received											110,169	136,648
Acquisition and construction of property, plant & equipment and capital work-in-progress											(1,094,453)	(947,363)
Acquisition of intangible asset											-	(3,536)
Proceeds from long-term loans											-	750,000
Repayment of long-term loans											(229,960)	(158,594)
Repayment of finance lease rentals											-	(1,524)
Dividend paid											(244,102)	(311,980)
<b>Net increase/(decrease) in cash and cash equivalents</b>											<b>1,763,057</b>	<b>(2,941,001)</b>

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

### 9. Other Operating Income/(Expenses)

For the year ended 31st March	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Rent income	6,534	10,210	-	2,983
Amortisation of deferred income	3,191	3,190	3,191	3,190
Sundry income	30,361	36,281	22,099	34,030
Dividend income	235	165	13,015	3,765
Loss on disposal of property, plant & equipment	(4,418)	(67,847)	(2,878)	(67,883)
	<b>35,903</b>	<b>(18,001)</b>	<b>35,427</b>	<b>(23,915)</b>

## Financial Reports — Notes to the Financial Statements

### 10. Net Finance Expense

For the year ended 31st March	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
<b>Finance Income</b>				
Interest income	110,169	136,648	108,370	135,290
Exchange gain on translation of foreign currency	130,592	60,130	132,808	44,363
Total finance income	240,761	196,778	241,178	179,653
<b>Finance Expense</b>				
Interest on long-term borrowings	(53,329)	(59,738)	(53,329)	(59,738)
Interest on short-term borrowings	(582,912)	(390,461)	(577,469)	(387,346)
Interest on finance lease	–	(469)	–	(469)
Total finance expense	(636,241)	(450,668)	(630,798)	(447,553)
<b>Net finance expense</b>	<b>(395,480)</b>	<b>(253,890)</b>	<b>(389,620)</b>	<b>(267,900)</b>

### 11. Profit Before Income Tax

#### 11.1 Profit before Income Tax is Stated after Charging/(Reversing) the following:

For the year ended 31st March	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Directors' emoluments - Short-term employment benefit	159,847	100,587	149,827	90,542
Directors' emoluments - Post-employment benefits	43,267	41,086	41,011	39,267
Auditors' remuneration				
- Audit services	2,415	1,928	1,980	1,575
- Audit-related services	932	991	785	826
- Non-audit services	628	2,272	454	1,830
Depreciation on property, plant & equipment	167,385	135,164	160,665	129,855
Amortisation of intangible assets and lease rentals paid in advance	3,148	3,364	3,148	3,364
Provision/(reversal) for/of impairment of trade and other receivable	(65,538)	181,129	(48,515)	201,941
Provision for slow moving inventories	131,061	99,989	122,593	105,092
Donations	14,804	27,105	14,104	26,576
Legal fees	17,753	5,958	15,904	5,833
Staff expenses (Note 11.2)	1,098,171	1,019,101	970,656	910,612

#### 11.2 Staff Expenses

For the year ended 31st March	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Defined contribution plan costs (EPF and ETF)	145,001	119,202	128,032	105,983
Defined benefit obligation current cost (Retiring gratuity)	19,745	15,375	17,908	14,257
Training expenses	41,866	31,920	28,401	27,918
Salaries and wages	891,559	852,604	796,315	762,454
	1,098,171	1,019,101	970,656	910,612
Average number of employees for the year	1,433	1,179	1,290	1,077

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

## Financial Reports — Notes to the Financial Statements

### 12. Income Tax Expense

For the year ended 31st March	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
<b>Current Tax Expense</b>				
Current tax on profit for the year (Note 12.1)	69,092	1,065,737	21,536	1,013,462
Under/(over) provision in respect of previous year	1,494	(13,067)	74	(12,338)
	70,586	1,052,670	21,610	1,001,124
<b>Deferred Tax Expense</b>				
Reversal of temporary differences (Note 28)	(42,715)	(29,800)	(41,853)	(29,903)
<b>Total income tax expense/(reversal)</b>	<b>27,871</b>	<b>1,022,870</b>	<b>(20,243)</b>	<b>971,221</b>

#### 12.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Profit before taxation	490,021	3,724,521	331,581	3,545,122
Disallowable expenses	387,338	381,075	371,219	368,528
Allowable expenses	(267,963)	(274,494)	(263,745)	(270,539)
Qualifying Payments	(362,177)	(20,160)	(361,677)	(20,125)
<b>Taxable income</b>	<b>247,219</b>	<b>3,810,942</b>	<b>77,378</b>	<b>3,622,986</b>
Income tax				
Tax at 12%	98	995	98	730
Tax at 28%	68,994	1,064,742	21,438	1,012,732
<b>Current tax on profits for the year</b>	<b>69,092</b>	<b>1,065,737</b>	<b>21,536</b>	<b>1,013,462</b>
<b>Effective tax rate (%)</b>	<b>14</b>	<b>29</b>	<b>6</b>	<b>29</b>

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

Withholding tax on the final dividend approved on 21st May 2013 is Rs. 8.88 mn. The actual liability arises in the year in which dividend is paid. Therefore, no liability is recognised in these Financial Statements.

#### 12.2 Tax Losses Brought Forward and Utilised During the Year

For the year ended 31st March	Group		Company	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Tax losses at the beginning of the year	10,546	9,580	—	—
Loss incurred during the year	—	966	—	—
Tax losses at the end of the year	10,546	10,546	—	—

Tax losses brought forward relate to Dimo Industries (Pvt) Ltd. (Refer Note 28.3)

## Financial Reports — Notes to the Financial Statements

### 13. Earnings Per Share

**13.1** Earnings per share has been calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year, as per the requirements of the Sri Lanka Accounting Standard - LKAS 33 on 'Earnings per Share'.

#### 13.2 Calculation of Earnings Per Share

For the year ended 31st March	Group		Company	
	2013	2012	2013	2012
Profit attributable to ordinary shareholders (Rs. '000)	462,150	2,701,651	351,824	2,573,901
Weighted average number of ordinary shares	8,876,437	8,876,437	8,876,437	8,876,437
<b>Earnings per ordinary share (Rs.)</b>	<b>52.06</b>	304.36	<b>39.64</b>	289.97

### 14. Dividends

#### Calculation of Dividend Per Share

For the year ended 31st March	Company	
	2013 Rs. '000	2012 Rs. '000
Interim dividend paid - First interim	—	44,382
- Second interim	—	66,573
Final dividend approved	88,764	244,102
	88,764	355,057
<b>Dividend per share (Rs.)</b>	<b>10.00</b>	40.00

No interim dividend was paid during the financial year 2012/13. (Interim dividends totalling to Rs. 12.50 per share were paid in 2011/12.)

#### 14.1 Approved Final Dividend

The Board of Directors of the Company has approved the payment of a first and final dividend of Rs. 10.00 per share for the year ended 31st March 2013 (2011/12 - final dividend of Rs. 27.50 per share). In accordance with the - LKAS 10 on 'Events after the Reporting Period', this final dividend has not been recognised as a liability in the Financial Statements as at 31st March 2013.



## Financial Reports — Notes to the Financial Statements

### 15. Classification of Financial Assets and Liabilities

In accordance with the LKAS 39 on 'Financial Instrument Recognition and Measurement', financial assets have been classified as follows.

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>i. Held-for-trading (HFT)</b>	-	-	-	-	-	-
<b>ii. Held-to-maturity (HTM)</b>	-	-	-	-	-	-
<b>iii. Loans &amp; receivables (L&amp;R)</b>						
Trade & other receivables	2,086,115	1,809,028	3,151,623	1,654,001	1,585,934	3,094,359
Cash and cash equivalents	682,078	317,090	1,871,046	615,156	178,996	1,801,370
<b>iv. Available-for-sales (AFS)</b>						
Financial assets available-for-sale	5,077	3,690	5,295	5,054	3,663	5,256
<b>Total financial assets</b>	<b>2,773,270</b>	<b>2,129,808</b>	<b>5,027,964</b>	<b>2,274,211</b>	<b>1,768,593</b>	<b>4,900,985</b>

In accordance with the LKAS 39 'Financial Instrument Recognition and Measurement' financial liabilities have been classified as follows.

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>i. Held-for-trading (HFT)</b>	-	-	-	-	-	-
<b>ii. At amortised cost</b>						
Current portion of long-term borrowings	229,960	229,960	93,015	229,960	229,960	93,015
Long-term borrowings	540,243	770,203	316,830	540,243	770,203	316,830
Short-term borrowings	2,647,597	4,045,666	2,658,621	2,518,226	3,970,625	2,647,224
Trade payables	843,044	1,487,608	1,558,804	792,718	1,446,635	1,500,568
<b>Total financial liabilities</b>	<b>4,260,844</b>	<b>6,533,437</b>	<b>4,627,270</b>	<b>4,081,147</b>	<b>6,417,423</b>	<b>4,557,637</b>

## Financial Reports — Notes to the Financial Statements

### 16. Property, Plant & Equipment

	Freehold Land	Buildings and Premises	Leasehold Buildings and Premises	Plant and Machinery	Tools and Implements	Motor Vehicles	Leased Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total as at		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>a. Group</b>												
<b>Cost or Revalued Amount</b>												
Opening balance	3,298,110	671,197	22,423	312,978	162,800	363,977	-	178,275	232,234	5,241,994	3,703,757	2,740,467
Revaluation	-	-	-	-	-	-	-	-	-	-	879,140	-
Additions	98,748	33,291	52,461	136,717	15,550	67,982	-	15,129	23,832	443,710	790,622	1,044,628
Transferred from capital work-in-progress	-	491	48,166	1,954	1,237	-	-	-	13,510	65,358	-	-
Disposals	-	(3,151)	-	(3,523)	(205)	(32,139)	-	(2,406)	(588)	(42,012)	(131,525)	(81,338)
<b>Closing balance</b>	<b>3,396,858</b>	<b>701,828</b>	<b>123,050</b>	<b>448,126</b>	<b>179,382</b>	<b>399,820</b>	<b>-</b>	<b>190,998</b>	<b>268,988</b>	<b>5,709,050</b>	<b>5,241,994</b>	<b>3,703,757</b>
<b>Depreciation</b>												
Opening balance	-	106,389	12,798	112,516	126,021	162,385	-	110,544	109,808	740,461	643,718	602,720
Charge for the year	-	16,623	3,203	22,389	13,507	70,949	-	23,185	17,529	167,385	135,164	93,100
On disposals	-	(1,723)	-	(370)	(205)	(18,752)	-	(2,401)	(588)	(24,039)	(38,421)	(52,102)
<b>Closing balance</b>	<b>-</b>	<b>121,289</b>	<b>16,001</b>	<b>134,535</b>	<b>139,323</b>	<b>214,582</b>	<b>-</b>	<b>131,328</b>	<b>126,749</b>	<b>883,807</b>	<b>740,461</b>	<b>643,718</b>
<b>Carrying amount before capital work-in-progress</b>	<b>3,396,858</b>	<b>580,539</b>	<b>107,049</b>	<b>313,591</b>	<b>40,059</b>	<b>185,238</b>	<b>-</b>	<b>59,670</b>	<b>142,239</b>	<b>4,825,243</b>	<b>4,501,533</b>	<b>3,060,039</b>
<b>Capital work-in-progress at cost</b>												
Opening balance	-	71,271	65,181	1,954	1,237	-	-	-	17,098	156,741	-	-
Additions	-	568,105	76,545	-	-	-	-	908	5,185	650,743	156,741	-
Transferred to PPE	-	(491)	(48,166)	(1,954)	(1,237)	-	-	-	(13,510)	(65,358)	-	-
<b>Closing balance</b>	<b>-</b>	<b>638,885</b>	<b>93,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908</b>	<b>8,773</b>	<b>742,126</b>	<b>156,741</b>	<b>-</b>
<b>Carrying amount as at 31st March 2013</b>	<b>3,396,858</b>	<b>1,219,424</b>	<b>200,609</b>	<b>313,591</b>	<b>40,059</b>	<b>185,238</b>	<b>-</b>	<b>60,578</b>	<b>151,012</b>	<b>5,567,369</b>	<b>-</b>	<b>-</b>
Carrying amount as at 31st March 2012	3,298,110	636,079	74,806	202,416	38,016	201,592	-	67,731	139,524	-	4,658,274	-
Carrying amount as at 1st April 2011	2,015,808	521,743	13,253	205,909	32,158	132,604	795	50,308	87,461	-	-	3,060,039

	Freehold Land	Buildings and Premises	Leasehold Buildings and Premises	Plant and Machinery	Tools and Implements	Motor Vehicles	Leased Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total as at		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>b. Company</b>												
<b>Cost or Revalued Amount</b>												
Opening balance	3,298,110	667,859	22,423	281,612	147,913	360,402	-	161,531	217,751	5,157,601	3,628,072	2,639,437
Revaluation	-	-	-	-	-	-	-	-	-	-	879,140	-
Additions	98,748	33,291	52,461	129,016	10,152	67,982	-	13,017	22,844	427,511	781,806	1,034,741
Transferred from capital work-in-progress	-	491	48,166	1,954	1,237	-	-	-	13,510	65,358	-	-
Disposals	-	(1,428)	-	(20)	(205)	(32,139)	-	(1,815)	(586)	(36,193)	(131,417)	(46,106)
<b>Closing balance</b>	<b>3,396,858</b>	<b>700,213</b>	<b>123,050</b>	<b>412,562</b>	<b>159,097</b>	<b>396,245</b>	<b>-</b>	<b>172,733</b>	<b>253,519</b>	<b>5,614,277</b>	<b>5,157,601</b>	<b>3,628,072</b>
<b>Depreciation</b>												
Opening balance	-	104,366	12,798	102,420	112,351	160,562	-	99,168	101,923	693,588	602,045	559,814
Charge for the year	-	16,582	3,203	20,140	12,632	70,365	-	21,341	16,402	160,665	129,855	85,853
On disposals	-	-	-	(10)	(205)	(18,752)	-	(1,810)	(586)	(21,363)	(38,312)	(43,622)
<b>Closing balance</b>	<b>-</b>	<b>120,948</b>	<b>16,001</b>	<b>122,550</b>	<b>124,778</b>	<b>212,175</b>	<b>-</b>	<b>118,699</b>	<b>117,739</b>	<b>832,890</b>	<b>693,588</b>	<b>602,045</b>
<b>Carrying amount before capital work-in-progress</b>	<b>3,396,858</b>	<b>579,265</b>	<b>107,049</b>	<b>290,012</b>	<b>34,319</b>	<b>184,070</b>	<b>-</b>	<b>54,034</b>	<b>135,780</b>	<b>4,781,387</b>	<b>4,464,013</b>	<b>3,026,027</b>
<b>Capital work-in-progress at cost</b>												
Opening balance	-	71,271	65,181	1,954	1,237	-	-	-	17,098	156,741	-	-
Additions	-	568,105	76,545	-	-	-	-	908	5,185	650,743	156,741	-
Transferred to PPE	-	(491)	(48,166)	(1,954)	(1,237)	-	-	-	(13,510)	(65,358)	-	-
<b>Closing balance</b>	<b>-</b>	<b>638,885</b>	<b>93,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908</b>	<b>8,773</b>	<b>742,126</b>	<b>156,741</b>	<b>-</b>
<b>Carrying amount as at 31st March 2013</b>	<b>3,396,858</b>	<b>1,218,150</b>	<b>200,609</b>	<b>290,012</b>	<b>34,319</b>	<b>184,070</b>	<b>-</b>	<b>54,942</b>	<b>144,553</b>	<b>5,523,513</b>	<b>-</b>	<b>-</b>
Carrying amount as at 31st March 2012	3,298,110	634,764	74,806	181,146	36,799	199,840	-	62,363	132,926	-	4,620,754	-
Carrying amount as at 1st April 2011	2,015,808	520,388	13,253	187,270	30,597	130,245	795	47,528	80,143	-	-	3,026,027

## Financial Reports — Notes to the Financial Statements

### Notes:

#### 16.a Revaluation of Freehold Land

Freehold land was revalued as at 30th September 2011 by Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka) who is a professionally qualified independent valuer. The revaluation was carried out by taking into account the observable prices in active market or recent market transactions on arm's length terms. The revaluation surplus, amounting to Rs. 879.14 mn was credited to the capital reserve account during the year 2011/12.

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

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

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

#### 16.b Fully Depreciated but still in Use

Property, plant & equipment with cost of Rs. 433 mn (2012 - Rs. 400 mn) have been fully depreciated and continue to be used by the Group. The cost of fully-depreciated assets of the Company amounted to Rs. 403 mn (2012 - Rs. 373 mn).

#### 16.c Property, Plant & Equipment Pledged as Security against Long-Term Bank Loan

Land and buildings with a carrying value of Rs. 666 mn (2012 - Rs. 666 mn) have been pledged as security against term loans obtained.

#### 16.d Permanent Fall in Value of Property, Plant & Equipment

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

#### 16.e Title Restriction on Property, Plant & Equipment

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

## Financial Reports — Notes to the Financial Statements

### 17. Lease Rentals Paid in Advance

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>Cost</b>						
Opening balance (Note 17.1)	39,938	39,938	2,400	39,938	39,938	2,400
Additions during the year	–	–	37,538	–	–	37,538
<b>Closing balance</b>	<b>39,938</b>	<b>39,938</b>	<b>39,938</b>	<b>39,938</b>	<b>39,938</b>	<b>39,938</b>
<b>Accumulated Amortisation</b>						
Opening balance	4,387	2,182	1,040	4,387	2,182	1,040
Amortisation for the year	2,205	2,205	1,142	2,205	2,205	1,142
<b>Closing balance</b>	<b>6,592</b>	<b>4,387</b>	<b>2,182</b>	<b>6,592</b>	<b>4,387</b>	<b>2,182</b>
<b>Carrying amount at the end of the year</b>	<b>33,346</b>	<b>35,551</b>	<b>37,756</b>	<b>33,346</b>	<b>35,551</b>	<b>37,756</b>

#### 17.1 Details of Lease Rentals Paid in Advance

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

### 18. Intangible Assets

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>Cost</b>						
Opening balance	6,344	2,808	2,808	6,344	2,808	2,808
*Additions during the year	–	3,536	–	–	3,536	–
<b>Closing balance</b>	<b>6,344</b>	<b>6,344</b>	<b>2,808</b>	<b>6,344</b>	<b>6,344</b>	<b>2,808</b>
<b>Accumulated Amortisation</b>						
Opening balance	3,265	2,106	1,463	3,265	2,106	1,463
Amortisation for the year	943	1,159	643	943	1,159	643
<b>Closing balance</b>	<b>4,208</b>	<b>3,265</b>	<b>2,106</b>	<b>4,208</b>	<b>3,265</b>	<b>2,106</b>
<b>Carrying amount at the end of the year</b>	<b>2,136</b>	<b>3,079</b>	<b>702</b>	<b>2,136</b>	<b>3,079</b>	<b>702</b>

\*Additions consist of Rs. 3.5 mn invested on upgrading human resource information system software during 2011/12.

#### 18.1 Assessment of Impairment

Computer software purchase cost has been classified as an intangible asset. No provision for impairment is required to be made in the Financial Statements as at the year-end.

## Financial Reports — Notes to the Financial Statements

### 19. Investment in Subsidiaries

As at	Company			
	Percentage of Holding (%)	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>Unquoted Investment - Ordinary Shares</b>				
Dimo (Pvt) Ltd. - 25,000 ordinary shares	100	250	250	250
Dimo Industries (Pvt) Ltd. - 2,305,000 ordinary shares	100	23,050	23,050	23,050
Dimo Travels (Pvt) Ltd. - 500 ordinary shares	100	50	50	50
		23,350	23,350	23,350
Impairment provision (Note 19.1)		(12,205)	(12,205)	(15,000)
		11,145	11,145	8,350

#### 19.1 Provision for Impairment of Investments in Subsidiaries

As at	Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Opening balance	12,205	15,000	–
Provision/(reversal) for/of impairment	–	(2,795)	15,000
<b>Closing balance</b>	<b>12,205</b>	<b>12,205</b>	<b>15,000</b>

An impairment assessment was carried out as at 31st March 2013 and it was concluded that net realisable value of all the investments included under unquoted investments exceed over its carrying value except for Dimo Industries (Pvt) Ltd. Based on an assessment made for impairment a loss of Rs. 12.2 mn (2011/12 - Rs. 12.2 mn) was recorded in the Financial Statements of the Company in relation to the investment in Dimo Industries (Pvt) Ltd. which was considered adequate amount as at reporting date. However, the management has implemented a revitalisation plan for Dimo Industries (Pvt) Ltd. and commenced tyre trading activities with effect from 1st April 2013.

### 20. Financial Asset Available-for-Sale

As at	Group						Company					
	No. of Shares	Market Value (Per Share)	Total Cost	Fair Value			No. of Shares	Market Value (Per Share)	Total Cost	Fair Value		
				31.03.2013	31.03.2012	01.04.2011				31.03.2013	31.03.2012	01.04.2011
<b>Quoted Investments</b>												
<b>Ordinary Shares</b>												
Hunas Falls Hotels PLC	900	52.50	14	47	54	78	450	52.50	7	24	27	39
Hatton National Bank PLC (non-voting)	33,943	131.80	700	4,474	3,119	4,709	33,943	131.80	700	4,474	3,119	4,709
Ceylinco Insurance PLC (non-voting)	1,700	327.20	298	556	517	508	1,700	327.20	298	556	517	508
			1,012	5,077	3,690	5,295			1,005	5,054	3,663	5,256

#### 20.1 Review of Market Risk

Financial assets available-for-sale represent investments in shares of quoted companies. Therefore, the value of these investments is subjected to the performance of investee company and the factors that effects the status of the stock market. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.



## Financial Reports — Notes to the Financial Statements

### 21. Inventories

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Stock-in-trade (at cost)	3,930,259	7,078,120	2,111,435	3,895,507	7,053,690	2,070,522
Work-in-progress (at cost)	106,467	92,336	45,889	52,708	54,381	22,690
Provision for slow moving inventories	(340,028)	(208,968)	(108,979)	(328,375)	(205,782)	(100,690)
	3,696,698	6,961,488	2,048,345	3,619,840	6,902,289	1,992,522
Goods-in-transit	445,208	1,189,547	435,613	435,718	1,173,578	426,993
<b>Total inventories at the lower of cost and net realisable value</b>	<b>4,141,906</b>	<b>8,151,035</b>	<b>2,483,958</b>	<b>4,055,558</b>	<b>8,075,867</b>	<b>2,419,515</b>

### 22. Trade and Other Receivables

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Trade receivables	2,329,280	2,196,274	3,375,558	1,868,141	1,924,220	3,266,457
Impairment provision	(261,952)	(404,492)	(238,141)	(232,800)	(355,467)	(186,171)
	2,067,328	1,791,782	3,137,417	1,635,341	1,568,753	3,080,286
Other receivables	18,787	17,246	14,206	18,660	17,181	14,073
<b>Carrying value of trade and other receivables</b>	<b>2,086,115</b>	<b>1,809,028</b>	<b>3,151,623</b>	<b>1,654,001</b>	<b>1,585,934</b>	<b>3,094,359</b>

#### 22.1 Age Analysis of Trade Receivables after Impairment Provision

As at	Group		Company	
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000
Not yet due	1,446,388	1,267,493	1,177,492	1,098,555
Between 61 days to - 180 days	368,730	398,082	287,861	342,384
Between 181 days to - 365 days	163,544	124,614	101,672	113,556
Over 365 days	88,666	1,593	68,316	14,258
Net trade receivables	2,067,328	1,791,782	1,635,341	1,568,753
Impairment provision	261,952	404,492	232,800	355,467
Gross trade receivables	2,329,280	2,196,274	1,868,141	1,924,220

22.2 Trade debtors jointly with inventories are pledged as security for short-term borrowings up to a limit of Rs. 95 mn (2011/12 - Rs. 95 mn).

#### 22.3 Terms of Trade and Other Receivables

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

#### 22.4 Review of Credit Risk

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

## Financial Reports — Notes to the Financial Statements

### 23. Other Current Assets

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Deposits and prepayments	198,410	159,426	137,033	171,424	136,751	121,705
Other receivables	5,779	100,204	15,378	4,457	94,012	9,955
	204,189	259,630	152,411	175,881	230,763	131,660

### 24. Cash and Cash Equivalents

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Bank balances	225,859	297,973	310,781	159,998	160,480	241,706
Investment in treasury bills	—	—	1,549,133	—	—	1,549,133
Investment in fixed deposits	436,366	—	—	436,366	—	—
Cash in hand	19,853	19,117	11,132	18,792	18,516	10,531
	682,078	317,090	1,871,046	615,156	178,996	1,801,370

#### 24.1 Review of Credit & Interest Rate Risks

The Group's cash and cash equivalents comprise of bank balances and fixed deposits which are invested in commercial banks and does not bear a credit risk. Fixed deposits have been placed with the maturity period less than three months and carrying a fixed rate of interest. Investments in Treasury bills/fixed deposits are made for varying periods of between one week to three months.

### 25. Stated Capital

As at	Group/Company					
	31.03.2013		31.03.2012		01.04.2011	
	No. of Shares	Rs. '000	No. of Shares	Rs. '000	No. of Shares	Rs. '000
<b>Ordinary Shares</b>						
<b>Issued and Fully-paid Ordinary Shares</b>						
Opening balance	8,876,437	425,297	8,702,389	182,500	8,702,389	182,500
Scrip dividend during the year*	—	—	174,048	242,797	—	—
<b>Closing balance</b>	<b>8,876,437</b>	<b>425,297</b>	8,876,437	425,297	8,702,389	182,500

\* The increase in stated capital represents the scrip dividends declared in May 2011.

### 26. Revenue Reserve

As at	Group		Company	
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000
Opening balance	5,000,566	2,876,865	4,616,945	2,623,573
Dividend	(244,102)	(554,777)	(244,102)	(554,777)
Total comprehensive income				
Profit for the year	433,354	2,680,083	327,076	2,549,742
Other comprehensive income	1,300	(1,605)	1,304	(1,593)
<b>Closing balance</b>	<b>5,191,118</b>	5,000,566	<b>4,701,223</b>	4,616,945

## Financial Reports — Notes to the Financial Statements

### 27. Employee Benefits

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Present value of unfunded obligation	287,046	224,434	182,327	273,471	216,824	173,713
Opening balance	224,434	182,327	142,138	216,824	173,713	132,607
Current service cost	19,745	15,375	13,058	17,908	14,257	11,674
Interest cost	23,566	19,144	15,626	22,767	18,240	14,586
Actuarial loss/(gain)	28,796	21,568	28,983	24,748	24,159	29,691
<b>Total charge for the year</b>	<b>72,107</b>	<b>56,087</b>	<b>57,667</b>	<b>65,423</b>	<b>56,656</b>	<b>55,951</b>
Paid during the year	(9,495)	(13,980)	(17,478)	(8,776)	(13,545)	(14,845)
<b>Closing balance</b>	<b>287,046</b>	<b>224,434</b>	<b>182,327</b>	<b>273,471</b>	<b>216,824</b>	<b>173,713</b>

An actuarial valuation for defined benefit obligation was carried out as at 31st March 2013 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the 'Projected Unit Credit Method', a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

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

	31.03.2013 %	31.03.2012 %
Rate of discount	10.50	10.50
Salary escalation rate	10.00	10.00

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

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

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

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of five years of continuous service. The liability as required by the Payment of Gratuity Act for the Group and the Company as at 31st March 2013 amounted to Rs. 277.2 mn and Rs. 264.1 mn respectively.

### 28. Deferred Tax Assets/(Liabilities)

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>Summary of net deferred tax assets/(liabilities)</b>						
Opening balance	(28,357)	(58,157)	(28,137)	(27,252)	(57,155)	(36,078)
(Origination)/reversal of temporary differences	42,715	29,800	(30,020)	41,853	29,903	(21,077)
<b>Closing balance (Note 28.1)</b>	<b>14,358</b>	<b>(28,357)</b>	<b>(58,157)</b>	<b>14,601</b>	<b>(27,252)</b>	<b>(57,155)</b>

## Financial Reports — Notes to the Financial Statements

### 28.1 Reconciliation of Deferred Tax Assets and Liabilities

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>Deferred Tax Liability</b>						
Temporary difference arising from property, plant & equipment	(345,444)	(325,708)	(390,030)	(330,999)	(314,154)	(377,839)
Total temporary difference of deferred tax liability	(345,444)	(325,708)	(390,030)	(330,999)	(314,154)	(377,839)
<b>Closing deferred tax liability @ 28%</b>	<b>(96,724)</b>	(91,198)	(109,209)	<b>(92,679)</b>	(87,963)	(105,795)

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>Deferred Tax Assets</b>						
Temporary difference arising from defined benefit obligations	287,048	224,433	182,327	273,470	216,824	173,713
Temporary difference arising from deferred free service income and warranty provision	109,674	—	—	109,674	—	—
Total temporary difference of deferred tax asset	396,722	224,433	182,327	383,144	216,824	173,713
<b>Closing deferred tax assets @ 28%</b>	<b>111,082</b>	62,841	51,052	<b>107,280</b>	60,711	48,640
Net temporary differences	51,278	(101,275)	(207,703)	52,145	(97,330)	(204,126)
<b>Net deferred tax (liability)/asset</b>	<b>14,358</b>	(28,357)	(58,157)	<b>14,601</b>	(27,252)	(57,155)

### 28.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group			Company		
	Balance as at 01.04.2012 Rs. '000	Recognised in Income Statement Rs. '000	Balance as at 31.03.2013 Rs. '000	Balance as at 01.04.2012 Rs. '000	Recognised in Income Statement Rs. '000	Balance as at 31.03.2013 Rs. '000
Property, plant & equipment - Deferred tax liability	(91,198)	(5,526)	(96,724)	(87,963)	(4,717)	(92,680)
Retirement benefit obligation - Deferred tax asset	62,841	17,532	80,373	60,711	15,861	76,572
Deferred free service and warranty provision - Deferred tax assets	—	30,709	30,709	—	30,709	30,709
	(28,357)	42,715	14,358	(27,252)	41,853	14,601

### 28.3 Unrecognised Deferred Tax Assets

Income tax loss of Rs. 10.5 mn (2012 - Rs. 10.5 mn) in respect of Dimo Industries (Pvt) Ltd. has not been recognised as a deferred tax asset as it is not probable that future taxable profits will be available against which the Company can utilise the benefit therefrom.

## Financial Reports — Notes to the Financial Statements

### 29. Long-Term Borrowings

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
<b>a. Non-current portion of the long-term borrowings</b>						
Term loans (Note 29.1)	540,243	770,203	316,830	540,243	770,203	316,830
Total non-current long-term borrowings	540,243	770,203	316,830	540,243	770,203	316,830
<b>b. Current portion of the long-term borrowings</b>						
Term loans (Note 29.1)	229,960	229,960	91,927	229,960	229,960	91,927
Finance lease obligations (Note 29.4)	–	–	1,088	–	–	1,088
Total current portion of long-term borrowings	229,960	229,960	93,015	229,960	229,960	93,015

#### 29.1 Movement and Classification of Long-Term Borrowings

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Opening balance	1,000,163	408,757	662,883	1,000,163	408,757	662,883
Loans obtained during the year	–	750,000	–	–	750,000	–
Repayments during the year	(229,960)	(158,594)	(254,126)	(229,960)	(158,594)	(254,126)
<b>Closing balance</b>	<b>770,203</b>	<b>1,000,163</b>	<b>408,757</b>	<b>770,203</b>	<b>1,000,163</b>	<b>408,757</b>
Classified as current liabilities (repayable within one year)	229,960	229,960	91,927	229,960	229,960	91,927
Classified as long-term loans (repayable after one year)	540,243	770,203	316,830	540,243	770,203	316,830

#### 29.2 Principal Amounts of Long-Term Borrowings

Lender	Company		Balance Outstanding as at 31.03. 2013	Secured	Repayments Tenure
	31.03.2013 Rs. '000	31.03.2012 Rs. '000			
Commercial Bank of Ceylon PLC	400,000	400,000	196,870	√	Repayable in 120 Installments commenced from February 2008
Hatton National Bank PLC	200,000	200,000	40,000	√	Repayable in 60 Installments commenced from March 2009
DFCC Bank	250,000	250,000	158,333		Repayable in 60 Installments commenced from June 2011
Bank of Ceylon	500,000	500,000	375,000		Repayable in 60 Installments commenced from January 2012
<b>Total</b>	<b>1,350,000</b>	<b>1,350,000</b>	<b>770,203</b>		

Details of land which were pledged against above bank loan facilities are disclosed in Note 16 (a).



## Financial Reports — Notes to the Financial Statements

### 29.3 Analysis of Long-Term Borrowings by the year of Repayment

	Commercial Bank of Ceylon PLC Rs. '000	Hatton National Bank PLC Rs. '000	DFCC Bank Rs. '000	Bank of Ceylon Rs. '000	Total 31.03.2013 Rs. '000	Total 31.03.2012 Rs. '000
<b>Movement of Loans</b>						
Balance at the beginning of the year	236,830	80,000	208,333	475,000	1,000,163	408,757
Loans obtained during the year	–	–	–	–	–	750,000
Repayments during the year	(39,960)	(40,000)	(50,000)	(100,000)	(229,960)	(158,594)
Balance at the end of the year	196,870	40,000	158,333	375,000	770,203	1,000,163
<b>Analysis of Long-Term Borrowings by Period of Repayment</b>						
Long-term loans repayable within 6 months from year end	19,980	20,000	25,000	50,000	114,980	114,980
Long-term loans repayable between 6 months and 1 year	19,980	20,000	25,000	50,000	114,980	114,980
Long-term loans repayable between 2 and 5 years from year end	156,910	–	108,333	275,000	540,243	733,173
Long-term loans repayable later than 5 years from year end	–	–	–	–	–	37,030
	196,870	40,000	158,333	375,000	770,203	1,000,163

### 29.4 Finance Lease Obligations

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Opening balance of gross lease obligations	–	1,524	3,223	–	1,524	3,223
Payments during the year	–	(1,524)	(1,699)	–	(1,524)	(1,699)
Closing balance of gross lease obligation	–	–	1,524	–	–	1,524
Interest in suspense	–	–	(436)	–	–	(436)
Lease obligations net of interest	–	–	1,088	–	–	1,088

The Group has a centralised treasury function to manage its financial risk. All the debts of the Group are denominated in the functional currency which is Sri Lankan Rupees.

The borrowings of the Company carry variable interest rate (excluding the balance of Rs. 158.33 mn). Hence, the Company is exposed to the interest rate risk. 1% increase/(decrease) in interest rate would cause an increase/(decrease) in the expense by +/- Rs. 7.7 mn per annum.

### 30. Deferred Income

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Opening balance	179,769	91,658	30,650	147,809	91,657	30,114
Income deferred during the year	148,528	349,797	296,199	90,211	317,838	296,199
Income amortised during the year	(187,985)	(261,686)	(235,191)	(160,709)	(261,686)	(234,656)
<b>Closing balance</b>	<b>140,312</b>	<b>179,769</b>	<b>91,658</b>	<b>77,311</b>	<b>147,809</b>	<b>91,657</b>

## Financial Reports — Notes to the Financial Statements

### 31. Trade Payables

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Trade payables	<b>843,044</b>	1,487,608	1,558,804	<b>792,718</b>	1,446,635	1,500,568

#### 31.1 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Company as at the year-end was 0.72:1 (in 2011/12 - 0.36:1). As a liquidity risk management measure, the entities continually compare trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

The trade payables of the Group include an amount of Rs. 445.21 million as bills payable corresponding to goods shipped but not received (Goods-in-Transit). At the time of settlement of such bills, entities will obtain short-term loans to cover the working capital cycle period of the imports.

Unutilised banking facilities are given in Note 34.

### 32. Other Current Liabilities

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Advances received	<b>124,185</b>	232,617	96,898	<b>124,185</b>	232,617	96,898
Interest payable	<b>8,035</b>	13,675	9,914	<b>8,035</b>	13,675	9,914
Unclaimed dividend	<b>6,503</b>	3,493	2,289	<b>6,503</b>	3,493	2,289
Value Added Tax (VAT)/Turnover Tax payable	<b>10,583</b>	–	64,818	<b>5,269</b>	–	64,889
Other payables and accrued expenses	<b>334,980</b>	452,704	435,035	<b>318,262</b>	426,016	409,248
	<b>484,286</b>	702,489	608,954	<b>462,254</b>	675,801	583,238

#### 32.1 Terms of Settlement of Other Current Liabilities

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

## Financial Reports — Notes to the Financial Statements

### 33. Current Tax Asset/(Liability)

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Opening balance	128,276	999,487	5,304	105,032	1,006,205	(10,183)
Current income tax for the year (Note 12)	70,586	1,052,670	1,244,208	21,610	1,001,124	1,243,703
	198,862	2,052,157	1,249,512	126,642	2,007,329	1,233,520
Tax paid during the year:						
Economic Service Charge	–	129,525	126,707	–	120,000	121,227
Income tax, Social Responsibility Levy (SRL) & WHT	265,943	1,791,306	123,318	228,818	1,782,115	106,088
Payments/adjustments pertaining to previous year	–	3,050	–	–	182	–
	265,943	1,923,881	250,025	228,818	1,902,297	227,315
<b>Current tax asset/(liability)</b>	<b>67,081</b>	<b>(128,276)</b>	<b>(999,487)</b>	<b>102,176</b>	<b>(105,032)</b>	<b>(1,006,205)</b>
<b>Made up as follows:</b>						
Current tax asset	103,550	1,374	7,983	102,176	–	–
Current tax liability	(36,469)	(129,650)	(1,007,470)	–	(105,032)	(1,006,205)
	67,081	(128,276)	(999,487)	102,176	(105,032)	(1,006,205)

### 34. Short-Term Borrowings

As at	Group			Company		
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000
Short-term bank loans	2,284,352	3,728,542	2,588,594	2,204,731	3,698,892	2,588,594
Bank overdrafts	363,245	317,124	70,027	313,495	271,733	58,630
	2,647,597	4,045,666	2,658,621	2,518,226	3,970,625	2,647,224

Unutilised bank facilities as at 31st March 2013 amounted to Rs. 9,233 mn (2012 - Rs. 6,564 mn).

Short-term bank loans are repayable within the period of six months and details of inventories and book debts which were pledged against above short-term loan facilities are disclosed in Note 22.2.

### 35. Related Party Disclosures

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

#### 35.1 (a) Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMPs. As the Company is the ultimate parent of the subsidiaries (listed in Note 1.3), the Board of Directors of the Company has the authority and responsibility for planning or controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company (Executive & Non-Executive) are KMPs of the Group.

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

## Financial Reports — Notes to the Financial Statements

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

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

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

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

No Loans were granted to KMPs of the Company.

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

For the year ended 31st March	Group		Company	
	31.03.2013 Rs. '000	31.03.2012 Rs. '000	31.03.2013 Rs. '000	31.03.2012 Rs. '000
Short-term employment benefits	159,847	100,587	149,827	90,542
Post-employment benefits	43,267	41,086	41,011	39,267
<b>Total compensation applicable to key management personnel</b>	<b>203,114</b>	<b>141,673</b>	<b>190,838</b>	<b>129,809</b>

The Company also has an obligation towards a post-employment benefit plan for the Executive Directors. The liability arising from the post-employment obligation has been provided for, based on an actuarial valuation and is covered under Employee Benefits referred to in Note 27 to the Financial Statements.

### 35.1 (c) Transactions with Close Family Members of KMPs

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

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

### 35.2 Amounts Due to Subsidiaries

Name of the Company	Dimo (Pvt) Ltd.	Dimo Industries (Pvt) Ltd.	Dimo Travels (Pvt) Ltd.			
Shareholding	100%	100%	100%	As at 31.03.2013 Rs. '000	As at 31.03.2012 Rs. '000	As at 01.04.2011 Rs. '000
	Rs. '000	Rs. '000	Rs. '000			
Opening balance due to subsidiaries	(88,852)	(9,438)	(327)	(98,617)	(113,705)	(13,988)
Sale of goods and services	12,260	–	–	12,260	57,173	3,171
Purchase of goods and services	(56,387)	–	–	(56,387)	(51,012)	(94,055)
Expenses incurred on behalf of subsidiaries	64,623	–	–	64,623	49,468	35,915
Fund transfers - net	(79,041)	50	–	(78,991)	(40,541)	(44,748)
<b>Closing balance due to subsidiaries</b>	<b>(147,397)</b>	<b>(9,388)</b>	<b>(327)</b>	<b>(157,112)</b>	<b>(98,617)</b>	<b>(113,705)</b>

## Financial Reports — Notes to the Financial Statements

### 35.3 Transactions with Companies Significantly Influenced by Key Management Personnel (KMP)

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

The balances due to and due from Hayleys Group as at 31st March 2012 are as follows:

As at	Group	
	31.03.2013 Rs. '000	31.03.2012 Rs. '000
Balance due to Hayleys Group	—	—
Balances due from Hayleys Group	1,674	208

Transactions during the year with the Hayleys Group:

For the year ended 31st March	Group	
	2013 Rs. '000	2012 Rs. '000
Goods and services purchased from Hayleys Group	25,681	13,601
Goods and services sold to Hayleys Group	42,633	14,502

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

Outstanding balances at the year-end relating to the Companies on which KMPs have significant influence are unsecured, interest free, and all related-party dues are on demand. There have been no guarantees provided or received for any related party receivables or payables for the year ended 31st March 2013. The Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011/12 - Rs. Nil).

## 36. Commitments and Contingencies

### 36.1 Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amount to approximately Rs. 2,101.4 mn (2011/12 - Rs. 993.2 mn).

### 36.2 Contingent Liabilities

#### Guarantees

The contingent liabilities as at 31st March 2013 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 731.7 mn (2011/12 - Rs. 623.0 mn).

### 36.3 Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2013 amount to Rs. 37.9 mn (2012 - Rs. 30.4 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 a liability has been made in the Financial Statements.

## 37. Events Occurring After the Reporting Period

Subsequent to the reporting date, the Board of Directors of the Company approved a first & final dividend of Rs. 10.00 per share for the year ended 31st March 2013. Details of the above dividend are disclosed in Note 14.1 to the Financial Statements.

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

## 38. Transition to New Sri Lanka Accounting Standards (SLASs)

As stated in Note 2.1 these are the Company's first Consolidated Financial Statements prepared in accordance with new Sri Lanka Accounting Standards prefixed both SLFRS and LKAS, promulgated by The Institute of Chartered Accountants of Sri Lanka. The Accounting Policies set out in Notes 2 to 7 have been applied in preparing the Financial Statements for the year ended 31st March 2013, the comparative information presented in these Financial Statements for the year ended

## Financial Reports — Notes to the Financial Statements

31st March 2012 and in the preparation of an opening Statement of Financial Position as at 1st April 2011. In preparing its opening new SLASs Statement of Financial Position, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with previous SLASs. An explanation of how the transition from previous SLASs has affected the Company's Financial Position and financial performance is set out in the following notes:

### 38.1 Reconciliation of Equity - Group as at 1st April 2011 and 31st March 2012

As at	Note	Group							
		01.04.2011			31.03.2012				
		Previous SLASs Rs. '000	Re-measurement due to transition to new SLASs Rs. '000	Re-classification due to transition to new SLASs Rs. '000	New SLASs Rs. '000	Previous SLASs Rs. '000	Re-measurement due to transition to new SLASs Rs. '000	Re-classification due to transition to new SLASs Rs. '000	New SLASs Rs. '000
<b>Assets</b>									
<b>Non-Current Assets</b>									
Property, plant & equipment		3,060,039	–	–	3,060,039	4,658,274	–	–	4,658,274
Lease rental paid in advance		37,756	–	–	37,756	35,551	–	–	35,551
Intangible assets		702	–	–	702	3,079	–	–	3,079
Financial asset available-for-sale	a	1,012	4,283	–	5,295	1,012	2,678	–	3,690
Deferred tax assets		–	–	51,052	51,052	–	–	62,841	62,841
<b>Total non-current assets</b>		<b>3,099,509</b>	<b>4,283</b>	<b>51,052</b>	<b>3,154,844</b>	<b>4,697,916</b>	<b>2,678</b>	<b>62,841</b>	<b>4,763,435</b>
<b>Current Assets</b>									
Inventories		2,483,958	–	–	2,483,958	8,151,035	–	–	8,151,035
Trade and other receivables	b	3,328,428	(24,394)	(152,411)	3,151,623	2,078,274	(9,616)	(259,630)	1,809,028
Other current assets	b	–	–	152,411	152,411	–	–	259,630	259,630
Cash and cash equivalents	i	1,871,046	–	–	1,871,046	317,090	–	–	317,090
<b>Total current assets</b>		<b>7,683,432</b>	<b>(24,394)</b>	<b>–</b>	<b>7,659,038</b>	<b>10,546,399</b>	<b>(9,616)</b>	<b>–</b>	<b>10,536,783</b>
<b>Total assets</b>		<b>10,782,941</b>	<b>(20,111)</b>	<b>51,052</b>	<b>10,813,882</b>	<b>15,244,315</b>	<b>(6,938)</b>	<b>62,841</b>	<b>15,300,218</b>
<b>Equity and Liabilities</b>									
<b>Equity</b>									
Stated capital		182,500	–	–	182,500	425,297	–	–	425,297
Capital reserve		1,135,612	–	–	1,135,612	2,014,752	–	–	2,014,752
Revenue reserves	f	2,882,735	(5,870)	–	2,876,865	5,025,283	(24,717)	–	5,000,566
<b>Total equity attributable to the equity holders of the Company</b>		<b>4,200,847</b>	<b>(5,870)</b>	<b>–</b>	<b>4,194,977</b>	<b>7,465,332</b>	<b>(24,717)</b>	<b>–</b>	<b>7,440,615</b>
<b>Non-Current Liabilities</b>									
Long-term borrowings		316,830	–	–	316,830	770,203	–	–	770,203
Defined benefit obligation		182,327	–	–	182,327	224,434	–	–	224,434
Deferred tax liabilities		58,157	–	51,052	109,209	28,357	–	62,841	91,198
Deferred income	c	105,899	(14,241)	–	91,658	166,151	13,618	–	179,769
<b>Total non-current liabilities</b>		<b>663,213</b>	<b>(14,241)</b>	<b>51,052</b>	<b>700,024</b>	<b>1,189,145</b>	<b>13,618</b>	<b>62,841</b>	<b>1,265,604</b>
<b>Current Liabilities</b>									
Trade payables	d	2,167,758	–	(608,954)	1,558,804	2,190,097	–	(702,489)	1,487,608
Other current liabilities	d	–	–	608,954	608,954	–	–	702,489	702,489
Current portion of long-term borrowings		93,015	–	–	93,015	229,960	–	–	229,960
Current tax liabilities		999,487	–	–	999,487	124,115	4,161	–	128,276
Short-term borrowings		2,658,621	–	–	2,658,621	4,045,666	–	–	4,045,666
<b>Total current liabilities</b>		<b>5,918,881</b>	<b>–</b>	<b>–</b>	<b>5,918,881</b>	<b>6,589,838</b>	<b>4,161</b>	<b>–</b>	<b>6,593,999</b>
<b>Total liabilities</b>		<b>6,582,094</b>	<b>(14,241)</b>	<b>51,052</b>	<b>6,618,905</b>	<b>7,778,983</b>	<b>17,779</b>	<b>62,841</b>	<b>7,859,603</b>
<b>Total equity and liabilities</b>		<b>10,782,941</b>	<b>(20,111)</b>	<b>51,052</b>	<b>10,813,882</b>	<b>15,244,315</b>	<b>(6,938)</b>	<b>62,841</b>	<b>15,300,218</b>



## Financial Reports — Notes to the Financial Statements

### 38.2 Reconciliation of Equity - Company as at 1st April 2011 and 31st March 2012

As at	Note	Company							
		01.04.2011				31.03.2012			
		Previous SLASs Rs. '000	Re-measurement due to transition to new SLASs Rs. '000	Re-classification due to transition to new SLASs Rs. '000	New SLASs Rs. '000	Previous SLASs Rs. '000	Re-measurement due to transition to new SLASs Rs. '000	Re-classification due to transition to new SLASs Rs. '000	New SLASs Rs. '000
<b>Assets</b>									
<b>Non-Current Assets</b>									
Property, plant & equipment		3,026,027	–	–	3,026,027	4,620,754	–	–	4,620,754
Lease rental paid in advance		37,756	–	–	37,756	35,551	–	–	35,551
Intangible assets		702	–	–	702	3,079	–	–	3,079
Investment in subsidiaries		8,350	–	–	8,350	11,145	–	–	11,145
Financial assets available-for-sale	a	1,005	4,251	–	5,256	1,005	2,658	–	3,663
Deferred tax assets		–	–	48,640	48,640	–	–	60,711	60,711
<b>Total non-current assets</b>		<b>3,073,840</b>	<b>4,251</b>	<b>48,640</b>	<b>3,126,731</b>	<b>4,671,534</b>	<b>2,658</b>	<b>60,711</b>	<b>4,734,903</b>
<b>Current Assets</b>									
Inventories		2,419,515	–	–	2,419,515	8,075,867	–	–	8,075,867
Trade & other receivables	b	3,255,689	(29,670)	(131,660)	3,094,359	1,813,722	2,975	(230,763)	1,585,934
Other current assets	b	–	–	131,660	131,660	–	–	230,763	230,763
Cash and cash equivalents	i	1,801,370	–	–	1,801,370	178,996	–	–	178,996
<b>Total current assets</b>		<b>7,476,574</b>	<b>(29,670)</b>	<b>–</b>	<b>7,446,904</b>	<b>10,068,585</b>	<b>2,975</b>	<b>–</b>	<b>10,071,560</b>
<b>Total assets</b>		<b>10,550,414</b>	<b>(25,419)</b>	<b>48,640</b>	<b>10,573,635</b>	<b>14,740,119</b>	<b>5,633</b>	<b>60,711</b>	<b>14,806,463</b>
<b>Equity and Liabilities</b>									
<b>Equity</b>									
Stated capital		182,500	–	–	182,500	425,297	–	–	425,297
Capital reserve		1,135,612	–	–	1,135,612	2,014,752	–	–	2,014,752
Revenue reserves	f	2,634,751	(11,178)	–	2,623,573	4,634,060	(17,115)	–	4,616,945
<b>Total equity attributable to the equity holders of the Company</b>		<b>3,952,863</b>	<b>(11,178)</b>	<b>–</b>	<b>3,941,685</b>	<b>7,074,109</b>	<b>(17,115)</b>	<b>–</b>	<b>7,056,994</b>
<b>Non-Current Liabilities</b>									
Long-term borrowings		316,830	–	–	316,830	770,203	–	–	770,203
Defined benefit obligation		173,713	–	–	173,713	216,824	–	–	216,824
Deferred tax liabilities		57,155	–	48,640	105,795	27,252	–	60,711	87,963
Deferred income	c	105,898	(14,241)	–	91,657	134,191	13,618	–	147,809
<b>Total non-current liabilities</b>		<b>653,596</b>	<b>(14,241)</b>	<b>48,640</b>	<b>687,995</b>	<b>1,148,470</b>	<b>13,618</b>	<b>60,711</b>	<b>1,222,799</b>
<b>Current Liabilities</b>									
Trade payables	d	2,083,806	–	(583,238)	1,500,568	2,122,436	–	(675,801)	1,446,635
Other current liabilities	d	–	–	583,238	583,238	–	–	675,801	675,801
Current portion of long-term borrowings		93,015	–	–	93,015	229,960	–	–	229,960
Current tax liabilities		1,006,205	–	–	1,006,205	95,902	9,130	–	105,032
Short-term borrowings		2,647,224	–	–	2,647,224	3,970,625	–	–	3,970,625
Amounts due to subsidiaries		113,705	–	–	113,705	98,617	–	–	98,617
<b>Total current liabilities</b>		<b>5,943,955</b>	<b>–</b>	<b>–</b>	<b>5,943,955</b>	<b>6,517,540</b>	<b>9,130</b>	<b>–</b>	<b>6,526,670</b>
<b>Total liabilities</b>		<b>6,597,551</b>	<b>(14,241)</b>	<b>48,640</b>	<b>6,631,950</b>	<b>7,666,010</b>	<b>22,748</b>	<b>60,711</b>	<b>7,749,469</b>
<b>Total equity and liabilities</b>		<b>10,550,414</b>	<b>(25,419)</b>	<b>48,640</b>	<b>10,573,635</b>	<b>14,740,119</b>	<b>5,633</b>	<b>60,711</b>	<b>14,806,463</b>

## Financial Reports — Notes to the Financial Statements

### 38.3 Reconciliation of Comprehensive Income for the year ended 31st March 2012

For the year ended	Note	Group				Company			
		31.03.2012				31.03.2012			
		Previous SLASs Rs. '000	Re-measurement due to transition to new SLASs Rs. '000	Re-classification due to transition to new SLASs Rs. '000	New SLASs Rs. '000	Previous SLASs Rs. '000	Re-measurement due to transition to new SLASs Rs. '000	Re-classification due to transition to new SLASs Rs. '000	New SLASs Rs. '000
Revenue	c	39,922,285	(27,859)	(31,483)	39,862,943	38,936,764	(27,859)	(31,483)	38,877,422
Sales taxes		(315,199)	–	–	(315,199)	(305,139)	–	–	(305,139)
<b>Net turnover</b>		39,607,086	(27,859)	(31,483)	39,547,744	38,631,625	(27,859)	(31,483)	38,572,283
Cost of sales	c	(32,379,543)	–	31,483	(32,348,060)	(31,790,017)	–	31,483	(31,758,534)
<b>Gross profit</b>		7,227,543	(27,859)	–	7,199,684	6,841,608	(27,859)	–	6,813,749
Other operating income/ (expenses)		(18,001)	–	–	(18,001)	(23,915)	–	–	(23,915)
Distribution expenses	b	(682,283)	14,778	–	(667,505)	(674,244)	32,645	–	(641,599)
Administrative expenses	g	(2,557,335)	21,568	–	(2,535,767)	(2,359,372)	24,159	–	(2,335,213)
<b>Results from operating activities</b>		3,969,924	8,487	–	3,978,411	3,784,077	28,945	–	3,813,022
Finance income		196,778	–	–	196,778	179,653	–	–	179,653
Finance expenses		(450,668)	–	–	(450,668)	(447,553)	–	–	(447,553)
Net finance expense		(253,890)	–	–	(253,890)	(267,900)	–	–	(267,900)
<b>Profit before income tax</b>		3,716,034	8,487	–	3,724,521	3,516,177	28,945	–	3,545,122
Income tax expense		(1,018,709)	(4,161)	–	(1,022,870)	(962,091)	(9,130)	–	(971,221)
<b>Profit for the year</b>		2,697,325	4,326	–	2,701,651	2,554,086	19,815	–	2,573,901
<b>Other comprehensive income</b>									
Actuarial loss arising from defined benefit obligation	g	–	(21,568)	–	(21,568)	–	(24,159)	–	(24,159)
Net changes in fair value of financial assets available-for-sale	a	–	(1,605)	–	(1,605)	–	(1,593)	–	(1,593)
Gain on freehold land revaluation	h	–	879,140	–	879,140	–	879,140	–	879,140
<b>Total other comprehensive income net of tax</b>		–	855,967	–	855,967	–	853,388	–	853,388
<b>Total comprehensive income for the year</b>		2,697,325	860,293	–	3,557,618	2,554,086	873,203	–	3,427,289

## Financial Reports — Notes to the Financial Statements

### 38.4 Explanation of Transition to New SLASs

#### Notes to the Reconciliations

Figures within the brackets in the 'Adjustments due to transition to new SLASs and 'Re-classification' columns depict a credit entry whilst figures without brackets depict a debits entry.

#### a. Financial Assets Available-for-Sale

The Group has invested in quoted shares with the intention of holding them for a pro-long period of time. These assets are categorised under 'Financial Assets Available-for-Sale' and recorded in the Statement of Financial Position at market value. These assets were previously carried at cost. The difference between the cost and the fair value is accounted for in the Statement of Change in Equity through 'Other Comprehensive Income'.

The impact arising from the change is summarised as follows:

As at	Group		Company	
	01.04.2011 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Financial Position</b>				
Financial assets available-for-sale: Re-measurement (Changing in fair value)	4,283	2,678	4,251	2,658

For the year ended	Group	Company
	31.03.2012 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Comprehensive Income</b>		
Financial assets available-for-sale: Re-measurement	1,605	1,593

#### b. Trade and Other Receivables

##### b.1 Trade and Other Receivables: Re-measurement

As explained in Note 3.2.5.2.2, impairment of trade receivables was remeasured and net difference adjusted in Financial Statements as mentioned below.

The impact arising from the change is summarised as follows:

As at	Group		Company	
	01.04.2011 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Financial Position</b>				
Trade & other receivables: Re-measurement	(24,394)	(9,616)	(29,670)	2,975

For the year ended	Group	Company
	31.03.2012 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Comprehensive Income</b>		
Distribution expenses: Re-measurement	(14,778)	(32,645)

##### b.2 Trade Receivables and Other Receivables - Re-classification

In compliance with LKAS 32 and 39, non-financial assets which were previously classified as 'Trade and other receivables', have now been reclassified as 'Other current assets'.

## Financial Reports — Notes to the Financial Statements

The impact arising from the change is summarised as follows:

As at	Group		Company	
	01.04.2011 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2012 Rs. '000
Trade and other receivables: Re-classification	(152,411)	(259,630)	(131,660)	(230,763)
Other Current assets: Re-classification	152,411	259,630	131,660	230,763

### c. Deferred Income

#### c.1 Deferred income: Re-measurement

The revenue that was related to the free services, where the services are not delivered as at each reporting date, was measured using relative fair value method, and was deferred with corresponding entry adjusted to the retained earnings.

The impact arising from the change is summarised as follows:

As at	Group		Company	
	01.04.2011 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Financial Position</b>				
Deferred income: Re-measurement	14,241	(13,618)	14,241	(13,618)

For the year ended	Group	Company
	31.03.2012 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Comprehensive Income</b>		
Revenue: Re-measurement	27,859	27,859

#### c.2 Deferred income: Re-classification

Previously, undelivered free services cost has been charged to 'Cost of sales' whereas in accordance with new SLAS, fair value of undelivered free services has to be treated as 'Deferred income'.

The impact arising from the change is summarised as follows:

As at	Group	Company
	31.03.2012 Rs. '000	31.03.2012 Rs. '000
Revenue: Re-classification	31,483	31,483
Cost of sales: Re-classification	(31,483)	(31,483)

### d. Trade and Other Payables

In compliance with LKAS 32 and 39, non-financial liabilities which were earlier classified as 'Trade payables', has been reclassified as 'Other current liabilities'.

The impact arising from the change is summarised as follows:

As at	Group		Company	
	01.04.2011 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Financial Position</b>				
Trade Payables: Re-classification	608,954	702,489	583,238	675,801
Other Current Liabilities: Re-classification	(608,954)	(702,489)	(583,238)	(675,801)

## Financial Reports — Notes to the Financial Statements

### e. Deferred Tax Assets/Liabilities

The 'Deferred tax assets' which were previously set off against 'Deferred tax liabilities' are now disclosed separately.

The impact arising from the change is summarised as follows:

As at	Group		Company	
	01.04.2011 Rs. '000	31.03.2012 Rs. '000	01.04.2011 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Financial Position</b>				
Deferred tax asset: Re-classification	51,052	62,841	48,640	60,711
Deferred tax liability: Re-classification	(51,052)	(62,841)	(48,640)	(60,711)

### f. Revenue Reserves

The impact on Revenue Reserve arising from re-measurement related adjustment from (a) to (e) above are summarised as follows:

As at	Group			Company		
	General Reserve Rs. '000	Financial Assets Available for Sale Reserve Rs. '000	Retained Earnings Rs. '000	General Reserve Rs. '000	Financial Assets Available-for-Sale Reserve Rs. '000	Retained Earnings Rs. '000
Balance as at 1st April 2011 (as per previous SLASs)	669,290	–	2,213,445	579,464	–	2,055,287
Fair value adjustment for financial assets available for sale (refer 38.4.a)	–	4,283	–	–	4,251	–
Trade receivable - provision for impairment (refer 38.4.b.1)	–	–	(24,394)	–	–	(29,670)
Adjustment relating to free service cost (refer 38.4.c.1)	–	–	14,241	–	–	14,241
Adjusted balance as at 1st April 2011 (as per new SLASs)	669,290	4,283	2,203,292	579,464	4,251	2,039,858

### g. Administrative Expenses

Actuarial loss arising from valuation of defined benefit obligation which was previously categorised as 'Administrative expenses' is now classified under 'Other Comprehensive Income'.

The impact arising from the change is summarised as follows:

For the year ended	Group	Company
	31.03.2012 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Comprehensive Income</b>		
Administrative expenses: Re-classification	(21,568)	(24,159)
<b>Statement of Other Comprehensive Income</b>		
Actuarial loss arising from Defined Benefits Plans: Re-classification	21,568	24,159

## Financial Reports — Notes to the Financial Statements

### h. Gain on Freehold Land Revaluation

Gain on revaluation of freehold land that was previously adjusted through equity statement, is now adjusted through 'Statement of Other Comprehensive Income'.

The impact arising, from the change is summarised as follows:

For the year ended	Group	Company
	31.03.2012 Rs. '000	31.03.2012 Rs. '000
<b>Statement of Other Comprehensive Income</b>		
Gain on freehold land revaluation: Re-classification	(879,140)	(879,140)

### i. Cash Flow Statement

The transition from previous SLASs to new SLASs did not make a material impact on the Statement of Cash Flows.

## 39. Risk Management

### 39.1 Financial Assets/Liabilities

Risks associated with financial assets and liabilities their nature and steps taken to manage these risks are given in the notes pertaining to the respective financial assets and liabilities.

### 39.2 Capital Management

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

- Appropriately allocate capital to meet strategic objectives.
- Enable the Group to face any economic down turn/ crisis situation.

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

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

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

For the year ended	31.03.2013 Rs. '000	31.03.2012 Rs. '000
Long-term borrowings (Note 29)	770,203	1,000,163
Equity	7,631,167	7,440,615
Total equity and long-term loans	8,401,370	8,440,778
Gearing ratio (%)	9	12

## 40. Directors' Responsibility for the Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements. The Statement of Directors' Responsibilities is given on page 79.