ACCELERATING INTO THE *future*

DIMO
THE PERFECT PARTNER

Diesel & Motor Engineering PLC | Annual Report 2022/23

ACCELERATING INTO THE *future*

Armed with a formidable, unwavering spirit and the courage and determination to pursue our goals, Diesel & Motor Engineering PLC continued to navigate challenging conditions to conquer the unknown.

Reliant on an unwavering vision, clarity of purpose and time-tested strategies, we are ideally positioned to deliver a consistent, yet unrivalled performance; focused on leveraging our performance and consolidating our strengths to anticipate and adapt to ever-changing dynamics with ease.

Over the years, we have relied on our inherent capabilities to forge ahead against the odds. Our ability to maintain our balance while exhibiting unmatched dexterity and precision has always empowered us to remain a step ahead – enabling us to serve as an agile, dynamic entity that is designed to accelerate you into the future.

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AN UNWAVERING *focus*

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A STEADFAST *performance*

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By maintaining the right controls, we can achieve a balanced performance and manoeuvre through changing conditions with ease.

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A DISTINCTIVE *configuration*

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We're a truly one of a kind entity that is designed to adapt to a range of environments. We're built to safeguard the well-being of our stakeholders, capture opportunities, and deliver value in the years ahead.

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WELCOME TO DIMO'S *integrated annual report*

WE ARE PLEASED TO INTRODUCE DIMO’S 13TH INTEGRATED ANNUAL REPORT

This report is Company’s primary communication with our shareholders and one of the key communications with all our stakeholders. It has been prepared with the objective of providing a balanced, transparent, and integrated view of DIMO’s performance during the 12 month period.

Value Creation

DIMO's success depends on our ability to create value and thereby fuel the dreams and aspirations of shareholders and our stakeholders. The value created is reflected in the increase of the availability, affordability, and quality of capital required for future value creation. Value eroded is reflected vice versa. This concept is further elaborated in our Value Creation Model presented on pages 24 - 25, the Strategy and Resource Allocation section presented on pages 18 - 23, the Capital Reports presented from pages 42 - 56 and Business Reports on from pages 30 - 41.

Materiality

The materiality test embedded in our processes ensures we report on all material aspects that affect our ability to create value. Stakeholder material issues identified through Stakeholder Engagement from pages 77 - 80, important topics raised at Board and Group Management Committee (GMC) discussions, and results of the Group’s risk management process provide the basis for the materiality analysis and thereby for determining the reporting content and the contents reported herein.

Laws, Regulatory Frameworks, Standards, Guidelines and Protocols Followed;

- The Companies Act No. 07 of 2007.
- The Listing Rules of the Colombo Stock Exchange (CSE).
- Sri Lanka Accounting Standards (LKASs/SLFRSs)
- International Integrated Reporting Framework (International <IR> Framework) 2021, of which the Company is a business network member.
- GRI Standards issued by the Global Sustainability Standards Board (GSSB). (This report has been prepared in accordance with the GRI Standards).

Integrated Annual Report - Reporting Boundary

Non-Financial Reporting Boundary

Includes material risks, opportunities, and outcomes attributable to or associated with DIMO Group’s;

- Strategy and Corporate Governance
- Value Creation Model and Capitals
- Business Reports
- Overview of the Operating Context
- Risk Management
- Sustainability Agenda 2030
- ESG performance statement

Financial Reporting Boundary

Aligns with our financial statements reporting boundary and includes:

- Diesel & Motor Engineering PLC is referred to as DIMO (Parent)
- Subsidiaries
- Joint Ventures

We enhanced our level of transparency by adhering to Sustainability Accounting Standards Board (SASB).

VISIONARY

Our ability to scan our surroundings and remain focused on our goals is a key driver of our success.

- The industry standards published by the Sustainability Accounting Standards Board (SASB) for Multiline and Specialty Retailers & Distributors, Agricultural products, Chemical, Engineering construction service.
- United Nations Sustainability Development Goals (SDGs).
- United Nations Global Compact (UNGC).
- A preparer's Guide to Integrated Corporate Reporting and TAGS reporting practices published by CA Sri Lanka.
- National Green Reporting System in Sri Lanka.
- The Greenhouse Gas Protocol Corporate Standard published by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) is used to measure and report on the Group's carbon footprint.
- Code of Best Practice on Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Independent Assurance

- Assurance from the Independent Auditors on the Statement of ESG Performance/GRI Standards and SASB Disclosure as per Sri Lanka Standard on Assurance Engagements 3000 (revised).

Pages 107 - 110

- Assurance from the Independent Auditors on the Consolidated Financial Statements as per Sri Lanka Auditing Standards.

Pages 123 - 125

- Assurance from the Independent Auditors on the Integrated Report as per Sri Lanka Standard on Assurance Engagements 3000 (revised).

Pages 203 - 205

Web Disclosures

The sections below, which are available on our corporate website, form part of this report and are available on the corporate website. Independent Assurances have been obtained from M/s KPMG for Financial Statements, Integrated Reporting, ESG Performance Statement and conformity with GRI Standards and relevant SASB Standards.

INTEGRATED ANNUAL REPORT OF BOARD OF DIRECTORS

The Board of Directors of Diesel & Motor Engineering PLC, hereby presents the 13th Integrated Annual Report of Diesel & Motor Engineering PLC to its financial capital providers and other stakeholders.

The Board, to the best of its knowledge believes that the content in this report is prepared after carefully assessing all material matters that affect DIMO's ability to create value in the short, medium and long-term. The Board also agrees that the Integrated Annual Report has been presented in accordance with the International Integrated Reporting Council's Integrated Reporting Framework 2021, now encouraged for adoption by the International Sustainability Standards Board.

The Board of Directors further acknowledges that reasonable care has been exercised in the preparation and presentation of this Integrated Annual Report and Financial Statements while preserving its integrity.

Signed by the Board of Directors on 05th June 2023.

Ranjith Pandithage
Chairman/Managing Director

Gahanath Pandithage
Director/Group Chief Executive Officer

Sarath Algama
Executive Director

Vijitha Bandara
Executive Director

Dr. Harsha Cabral
Independent Non-Executive Director

Suresh Gooneratne
Executive Director/ Chief Financial Officer

Dilrukshi Kurukulasuriya
Executive Director

Wijith Pushpawela
Executive Director

Mohan Pandithage
Non-Executive Director

Rajeev Pandithage
Executive Director

Chaminda Ranawana
Executive Director

Jayantha De Silva
Independent Non-Executive Director

Asite Talwatte
Independent Non-Executive Director

ESG AND FINANCIAL *highlights*

ENVIRONMENT

Carbon emission to generate one million turnover

0.09 tCO_2e

(2021/22 – 0.14 tCO_2e)

Water consumption to generate one million turnover

1.44 m^3

(2021/22 – 2.62 m^3)

Non-renewable energy consumption to generate one million turnover

1.21 GJ

(2021/22 – 1.52 GJ)

DIMO Logistic Centre at Weliweriya **wins Silver Award** in the Vehicle Servicing Category at the Presidential Green Awards 2022.

SOCIAL

DIMO was crowned as **'One of Sri Lanka's Most Outstanding Women Friendly Workplaces'** at the CIMA SatynMag Women Friendly Workplace Awards 2022.

DIMO Academy for Technical Skills (DATS) was able to produce.

46 graduates

(2021/22 – 46 graduates)

Voluntary investments in social progress

Rs. **17** million

(2021/22 – Rs. 24 million)

Employee benefits distributed

Rs. **4,471** million

(2021/22 – Rs. 4,089 million)

GOVERNANCE

Anti-harassment Policy and Helpline

6 Reported & resolved

(2021/22 – N/A)

Payment of taxes and other tariffs

Rs. **2,696** million

(2021/22 – Rs. 4,427 million)

No major non compliances in Environmental & Quality Management System and Occupational Health & Safety.

Three whistle-blower cases reported and sorted during the year.

Rs. **35,299** million

Group Revenue

(2021/22 – Rs. 37,507 million)

Rs. **1,622.31**

Net Assets Per Share

(2021/22 – Rs. 1,631.47)

Rs. **698** million

Group Profit After Tax

(2021/22 – Rs. 854 million)

Rs. **62.64**

Group EPS

(2021/22 – Rs. 76.06)

4.20

Employee Engagement Score

(2021/22 – 4.20)

89%

Customer Satisfaction Index

(2021/22 – 92%)

DIMO at a Glance

BUILT FOR *Speed*

Our internal and external structures have positioned us to remain agile and responsive, and pursue progress.

The cheetah's power and speed are a direct result of its underlying framework. An enlarged heart and lungs work together to improve oxygen intake, while its strong muscles and flexible bone structure enable adaptability and motion.

DIMO *at a glance*

DIMO is a Diversified Conglomerate engaged in building sustaining relationships, since 1939. DIMO is committed to enhancing the lifestyles of fellow Sri Lankans as their Perfect Partner, multiple times - every day.

While providing world class solutions, the group represents the best engineered brands in the world. Our 'Best in Class' principals add to our own equity. The DIMO culture is built upon the purpose and values, which also drives our value creation philosophy. Our key sustainability initiatives illustrate our vision for the future.

Our values and beliefs system has driven us to be among the most respected and admired companies in Sri Lanka.

Purpose Driven with a Promise on offer

Our Brand Purpose

Our purpose is to fuel dreams and aspirations of the communities we serve.

Our Brand Promise

We are building sustaining relationships with world class principals and stakeholders as the Perfect Partner.

Our Values

Our core values are the deeply ingrained principles that guide all our decisions and actions; they serve as our cultural cornerstones.

Figure 1: Our values

INTEGRITY	PEOPLE CENTRICITY	EXCELLENCE	CUSTOMER DELIGHT	ACCOUNTABILITY
(Practice of honesty)	(Being a catalyst to empower people, to deliver results)	(Do what you do to the best of your ability)	(Amuse customers through every interaction with them)	(Taking responsibility for your actions)

Figure 2: Business Segment

Vehicle Sales	Aftersales Services	Retail	Construction and Logistical Solutions	Agriculture	Engineering Solutions
TS	ES MS SS	TS	ES TS SS	MS TS SS	ES TS SS

ES Engineering Sector   MS Manufacturing Sector   TS Trading Sector   SS Services Sector

Perfect Partnerships

Scan this QR Code to learn more about our valued Principals.

As the Perfect Partner, how we manage relationships with our stakeholders in Sri Lanka and beyond has proved crucial for our existence, success, and continued operations.

Our relationships with our customers are passionate and committed. Our support has always been prompt and caring, with the backing of appropriate technologies to assist the solutions. Our employees are cared for with dignity, respecting diversity and ensuring that everyone is included in everything we do. Our principals benefit from relationships that are mutually beneficial, allowing limitless possibilities for growth.

Journey of DIMO

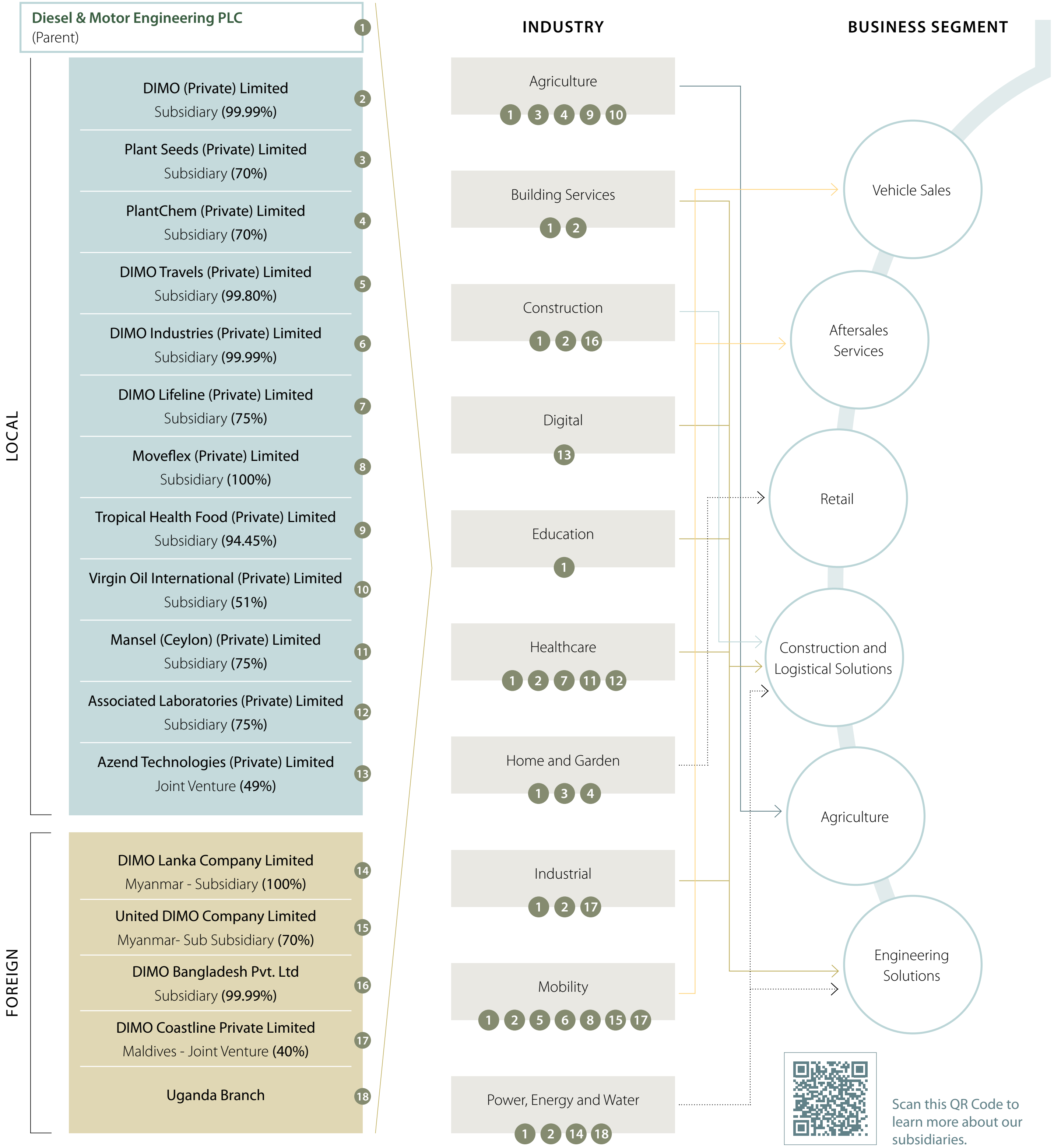
Scan this QR Code to learn more about our history.

DIMO's origination as a business entity, goes way back to 1939.

- Four young entrepreneurs started DIMO as an automobile related business in 1939.
- DIMO is incorporated as a Private Limited Liability company in 1945.
- DIMO becomes a Public Quoted company in 1964.

GROUP *Structure*

Figure 3: Group Structure



	Diesel & Motor Engineering PLC	(Parent)	1
LOCAL	DIMO (Private) Limited	Subsidiary (99.99%)	2
	Plant Seeds (Private) Limited	Subsidiary (70%)	3
	PlantChem (Private) Limited	Subsidiary (70%)	4
	DIMO Travels (Private) Limited	Subsidiary (99.80%)	5
	DIMO Industries (Private) Limited	Subsidiary (99.99%)	6
	DIMO Lifeline (Private) Limited	Subsidiary (75%)	7
	Moveflex (Private) Limited	Subsidiary (100%)	8
	Tropical Health Food (Private) Limited	Subsidiary (94.45%)	9
	Virgin Oil International (Private) Limited	Subsidiary (51%)	10
	Mansel (Ceylon) (Private) Limited	Subsidiary (75%)	11
	Associated Laboratories (Private) Limited	Subsidiary (75%)	12
	Azend Technologies (Private) Limited	Joint Venture (49%)	13
FOREIGN	DIMO Lanka Company Limited	Myanmar - Subsidiary (100%)	14
	United DIMO Company Limited	Myanmar- Sub Subsidiary (70%)	15
	DIMO Bangladesh Pvt. Ltd	Subsidiary (99.99%)	16
	DIMO Coastline Private Limited	Maldives - Joint Venture (40%)	17
	Uganda Branch		18

INDUSTRY	
Agriculture	1 3 4 9 10
Building Services	1 2
Construction	1 2 16
Digital	13
Education	1
Healthcare	1 2 7 11 12
Home and Garden	1 3 4
Industrial	1 2 17
Mobility	1 2 5 6 8 15 17
Power, Energy and Water	1 2 14 18

BUSINESS SEGMENT

- Vehicle Sales
- Aftersales Services
- Retail
- Construction and Logistical Solutions
- Agriculture
- Engineering Solutions

Scan this QR Code to learn more about our subsidiaries.

CHAIRMAN'S *message*

Dear Shareholder,

I am delivering this message with appreciation for the confidence placed by the shareholders in the Board of Directors and myself for navigating the company through turbulent times and positioning for its launch into the next phase of growth with resilience. The company has been investing in technological platforms to accelerate its programmes to diversify and position the company on a new pedestal.

Diversification

Our venturing into agriculture helped us to manage our portfolio risk. The events unfolded in the recent past in the external environment affecting many traditional businesses, particularly in mobility, bears testimony to this. As evident from the financial statements, the agriculture segment which we entered into six years ago, has become a major contributor to our financial performance.

Our entry into pharmaceuticals was marked by the acquisition of two subsidiaries with a distinct product portfolio. We consider this an excellent launching pad to increase our footprint in this domain. The existing portfolio in healthcare will be further enriched by adding specialised medical supplies.

Our aggressive efforts in diversification created another landmark in the story of DIMO, with the commencement of our business in Bangladesh through a fully owned subsidiary.

The focus this year will be to consolidate the acquired businesses during past few years, whilst seeking further acquisitions for growth.

Overseas Operations

The newly incorporated subsidiary in Bangladesh commenced its operations towards the latter part of the year. Currently, our aim is to expand the Construction Machinery Business, with the help of our principals.

Export Revenues

Seeking foreign currency earnings through exports is part of our corporate plan to mitigate risks. Following up on this strategy we acquired two subsidiaries involved in the export of processed fruits and coconut-based products. Further investments in terms of property, plant & equipment is necessary in these companies, which is currently receiving attention. We are also currently working on the possibility of exporting locally manufactured products in the domain of light engineering for which the group holds a sizeable skill inventory.

Future Ready

We have identified the need for better use of technology and visibility to take the group to its next level. The installing of SAP, which is currently ongoing, together with deployment of technology in the periphery, will largely fulfil this need. The group will be installing many modules of SAP covering different businesses and value chains, and once completed will be ready to support our businesses in many ways to unleash their full potential.

Scan this QR Code to view the Chairman's Message

Certainty of Uncertainty

The year started with a rapid depreciation of the Sri Lankan Rupee creating a lot of uncertainty. Assumptions had to be made for planning, pricing and many other decisions. Unprecedently, high rates of inflation and high rates of interest made rational decision making for the future, extremely difficult. In such levels of uncertainty, we were compelled to take decisions relating to cost recovery, pricing and demand forecasting. Some assumptions worked in our favour and some did not. Whilst I certainly do not rule out further hardships in the path of economic recovery, I fervently hope that policies and actions of the government in the future will help us to navigate our future operations.

Patience needed with Investments in Mobility

The vacuum created by the ban on the import of motor vehicles has impacted on the performance of the group, though not to the extent we would have experienced had we not commenced diversifying a few years ago. Given that our largest investments have been in mobility, we are now faced with a situation where these assets are not generating the desired returns. Whilst we have curtailed our branch network to some extent, we will preserve our investments in this domain to capitalise when permission is granted to import vehicles. It is our belief that these investments will continue to provide returns once the ban on vehicle imports is lifted.

ESG Risks and Opportunities

The recent past has brought forth the need for businesses to effectively manage risks relating to environmental factors and their governance. As an organisation, we are convinced of the need to do so given the magnitude of the changes taking place in the external environment, relating to social factors and the way in which businesses respond to them. Whilst DIMO recognises the importance in managing the risks that are posed from ESG factors external to the organisation, we are also equally concerned about our own ESG performance that has an impact on our stakeholders and the environment. In this Annual Report, the Sustainability Agenda 2030 covers this aspect of ESG performance where the environmental, social and economic impacts by business operations of DIMO. The ESG risks and opportunities arising from our own operations and external events are covered in the Risk Management, Business and Capital Reports.

Harvesting time in Agri Business

It is satisfying to note that the decision we made a few years ago to venture into the agriculture domain is now bearing fruit. In fact, the agriculture segment became the largest contributor to the profitability of the Group. Plans are afoot to expand the footprint in the domain of agriculture.

A Strong Base

There are two aspects that I need to single out that will fuel our growth. Firstly, our new investments in the form of acquisitions and business expansions that will improve our revenue streams. These include agriculture, pharmaceuticals, medical accessories, Agro-based exports and overseas ventures. The other aspect is the investment being made in a tier 1 ERP with a comprehensive range of modules and supplementary software, providing DIMO with the scalability to reach the next level. These two aspects will form a formidable base for future growth.

Adding Value through Transparency

Over the years the company has made endeavours to improve corporate governance, which we firmly believe adds value to the company and its stakeholders. In pursuance of this belief, the company has strived to adopt best practices in corporate governance to which the Corporate Governance section will bear testimony. At the same time, we have also strived to improve transparency of our corporate reporting through our integrated annual report. In compiling the report, the integrated reporting guidelines originally published by the International Integrated Reporting Council and now recommended by the International Sustainability Standards Board have been adopted.

Riding the Rough Terrain Ahead

Subdued demand for goods of a capital nature forms a substantial portion of our portfolio and the continued ban on the import of vehicles impose revenue pressures on the group. On the other hand, inflation induced increases in overheads and relatively high interest rates require higher gross profit margins, which is seemingly outside the bounds of reality. However, fast improving performances by the recently acquired businesses and favourable performance forecasts of the agriculture segment are comforting factors in encountering possible adversity and delivering higher revenues and profits for the succeeding financial year.

Acknowledgements

It may sound customary for a Chairman's Message to thank the employees for their contribution. I need to go far beyond custom to appreciate the commitment shown and sacrifices made by my tribe members, and I am sincerely thankful to them for rallying together to go through tough times and open new vistas for DIMO to accelerate into the future.

I am thankful to the Executive Directors for helping the organisation and motivate the DIMO tribe to face challenging times through the Covid outbreak and economic turmoil that the country faced. I am also thankful to the Non- Executive Directors on our Board, who have provided valuable counsel through their committed support for DIMO.

Our foreign principals have always been supportive of our efforts to delivering more value to our customers and enhance their experience. We have also received their fullest support in bringing state of the art technology to the country. I am thankful to them for the role they have played towards the progress of DIMO and the country.

Ranjith Pandithage
Chairman/Managing Director

05th June 2023
Colombo

GROUP CEO'S *message*

It is my great pleasure to address our shareholders upon the completion of yet another financial year. In summary, the year was one of both adversity and gain. With many factors working against business sentiment, profitability was under pressure, although on the other hand we were able to continue with our diversification plan in terms of portfolio and geography.

Endured tough times

On the economic front, the Group faced many challenges. The continued restriction on vehicle imports and temporary suspension of imports of specific items and subdued demand exerted pressure on revenues. High interest rates too curtailed demand for capital goods and disproportionately increased the interest burden of the company. Inflation substantially increased the overhead expense and would also eventually increase employee cost to compensate for the sharp increase in the cost of living. Operationally too many hardships were encountered through fuel rationing and its knock-on effects. Having endured a tough environment amid chaos, the Group was able to record a net profit after tax of Rs. 698 million (2021/22: Rs. 854 million) and continue with our growth plans, laying the foundation to accelerate into the future.

Agriculture

The Agriculture solutions business, though young, performed extremely well compared to our more mature businesses. Fertiliser, seeds and agro-chemicals businesses performed well, increasing the segment revenue by 16% (2021/22: 30%). We welcome the abolition of the fertiliser import quota system and believe that this will create a level playing field for businesses in the fertiliser industry. Another consolation is the government's settlements of the outstanding fertiliser subsidy, reducing a financial burden to the business. The two export-based companies involved in coconut-based products and fruits-in-jars businesses are also expected increase their intensity and contribute to the performance in a more significant way.

The agricultural machinery business, however, did not enjoy a successful financial year, in contrast to the agricultural inputs business. Due to high interest rates and the down payment requirements for leases, the demand for agricultural machinery was significantly low. This business will receive stepped up attention during the ensuing financial year in order to revive its fortunes.

Automobile Business

The vehicle sales segment went through one of the worst years in its history with revenue streams being limited to the sale of pre-owned vehicles, prime movers and locally assembled TATA ACE vehicles, as a consequence of the no vehicle imports policy of the government. The turnover from vehicle sales reduced to Rs. 2,710 million from Rs. 5,484 million the previous year.

Scan this QR Code to view the Group CEO's Message

The Aftersales services segment recorded a 4% decrease in revenue. The trends experienced towards the latter part of the financial year indicate that a recovery can be expected in this business domain.

Overall, the turnover of vehicles sales and aftersales businesses taken together as a proportion of Group turnover reduced to 25% (2021/22: 31%) from 81% five years ago (in 2018/19). This is an indication that the company is reducing its dependence on the automobile business and that the diversification strategy is yielding desired results.

However, we do firmly believe that the automobile business will hold significant potential once the import restrictions are eased and therefore, the strategic assets deployed in auto related segments will not be re-allocated. Resources dedicated to these segments are closely monitored to ensure that their full potential is realised.

Other Business Segments

The retail segment recorded a marginal increase in turnover. The tyre business made a noteworthy contribution whilst there is strong focus on the lighting and power tools businesses to improve their performance and outcomes.

The Material Handling and Construction Machinery segment is heavily involved in capital equipment and projects. This affected its business as most investments of capital nature in Sri Lanka were relatively inactive. As such, this segment was adversely affected by the external economic environment, during the financial year.

The Engineering Solutions segment delivered a noteworthy performance with a 22% increase in turnover.

Expanding the Group

The financial year saw some key additions to our business by way of the acquisition of Mansel Ceylon (Pvt) Ltd. and Associated Laboratories (Pvt) Ltd., both in the pharmaceuticals domain and the commencement of business of our Construction Machinery subsidiary in Bangladesh. Earlier in the year, two food related export companies - Tropical Health Foods (Pvt) Ltd. and Virgin Oil International (Pvt) Ltd. - were added to the DIMO Group. These businesses will make significant contributions to Group revenue. What is also noteworthy is that through these acquisitions, we have entered two new businesses namely pharmaceuticals and food export, although they both are linked to the existing Bio-Medical Engineering and Agriculture businesses respectively.

During the past few years, we have added many businesses to the DIMO portfolio, which has yielded positive results. Whilst we continuously seek opportunities for DIMO to grow, it is our endeavour to realise the full potential of the new ventures. To do so, more investments in terms of Property, Plant and Equipment are inevitable.

Revamping IT Ecosystem

The journey to revamp the IT ecosystem is in progress. The launching of new IT infrastructure and upgrading the transaction and information management system to a fully-fledged ERP is currently taking place. The implementation of the core of the plan is expected to be completed during the current financial year. Once completed, it is expected to take the business capability of the organisation to the next pedestal.

Talent Retention

Whilst a lot of attention was being paid to overcoming the effects of economic adversity, the migration of talent has hampered progress considerably, although this is not a phenomenon applicable only to DIMO. The speed and the magnitude at which it took place meant that we lost some Human Capital, the replacement of which will take time. However, we are confident that we would be able to leverage on our employer brand to attract required talent of the right quality.

Risk Management

The strategic risks relating to our businesses are managed through the corporate planning function of the Group. One main area of focus is portfolio rationalisation. Management risks relating to other aspects such as finance, Human Resources and Information Management are managed by the respective divisions whilst we largely rely on the ISO accredited management systems to manage operational risks. Our occupational health and safety management system is the latest management system to receive ISO accreditation. The risk management report from page 81 provides a detailed account of how risks are managed and how the three lines of defence are deployed to manage risks.

Transparency

Over the years, DIMO has strived to adopt best practices in corporate reporting and to improve the credibility of the information published. In this integrated Annual Report, in addition to obtaining the independent auditors' report required by statute, the company has obtained assurances on compliance with GRI standards, SASB standards, integrated reporting guidelines and on the ESG performance statement.

Outlook

The positive changes in the economic landscape during the last quarter of the year make us believe that the worst is over. Further improvements in the interest rates and GDP growth are bound to fuel demand and reduce the interest cost burden. Our recent investments are expected to yield positive results to strengthen performance. Overall, a financial year with an improved performance is planned.

Gahanath Pandithage
Director/Group Chief Executive Officer

05th June 2023
Colombo

BOARD OF *directors*

EXECUTIVE DIRECTORS

A.R. Pandithage Chairman/Managing Director	**A.G. Pandithage** Group Chief Executive Officer	**S.C. Algama**	**M.V. Bandara**	**B.C.S.A.P. Gooneratne** Chief Financial Officer/ Company Secretary
Appointed in June 1977	Appointed in December 1995	Appointed in November 1984	Appointed in June 2016	Appointed in April 2006
Dip. Eng. - Germany. Member of the Institute of Engineers, Germany (VDI).	Fellow Member of CIMA (UK), Alumni of Harvard Business School Advance Management Programme (AMP).	Fellow of the Institute of Incorporated Engineers (SL).	Alumni of Harvard Business School Advance Management Programme (AMP).	FCA -ICASL, FCMA- CMA Sri Lanka, MBA (USJ).

NON-EXECUTIVE DIRECTOR

A.M. Pandithage
Appointed in September 1982
Fellow of the Chartered Institute of Logistics and Transport (UK).

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR. H. Cabral	**J.M. De Silva**	**A.D.B. Talwatte**
Appointed in October 2006	Appointed in August 2020	Appointed in June 2016
President's Counsel in Sri Lanka, Doctorate in Corporate Law from University of Canberra, Australia	Fellow (FBCS) of the BCS, Fellow of the Chartered Institute for IT and a Chartered IT Professional (CITP).	FCA – ICASL, Fellow member of CIMA (UK), MBA (USJ).

EXECUTIVE DIRECTORS

D.N.K. Kurukulasuriya	**C.R. Pandithage**	**P.K.W. Mahendra**	**S.R.W.M.C. Ranawana**
Appointed in May 2022	Appointed in May 2022	Appointed in June 2016	Appointed in June 2016
Attorney at law, EMBA-The University of West London.	Bachelor of Business and Commerce - Monash University, MBA - RMIT University.	Bachelor's in Mechanical Engineering - University of Greenwich, UK.	MBA - Wanaborough University, UK

Scan this QR Code to view additional details of the Directors including

- Number of shares held and share percentage (%)
- Qualifications and titles
- Expertise
- Positions held in other companies
- Committee Memberships

GROUP MANAGEMENT committee

A.R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Executive Director/Group Chief Executive Officer

S.C. Algama
Executive Director

M.V. Bandara
Executive Director

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

D.N.K. Kurukulasuriya
Executive Director/Chief Human Resources Officer

P.K.W. Mahendra
Executive Director

C.R. Pandithage
Executive Director

S.R.W.M.C. Ranawana
Executive Director

H.M.P.D.B. Dematawa
Chief Operating Officer - Agribusinesses

R.K.J. Gunasekera
Chief Operating Officer - Chemical Segment

G.P.M.S. Karunaratne
Chief Operating Officer - Aftersales Services

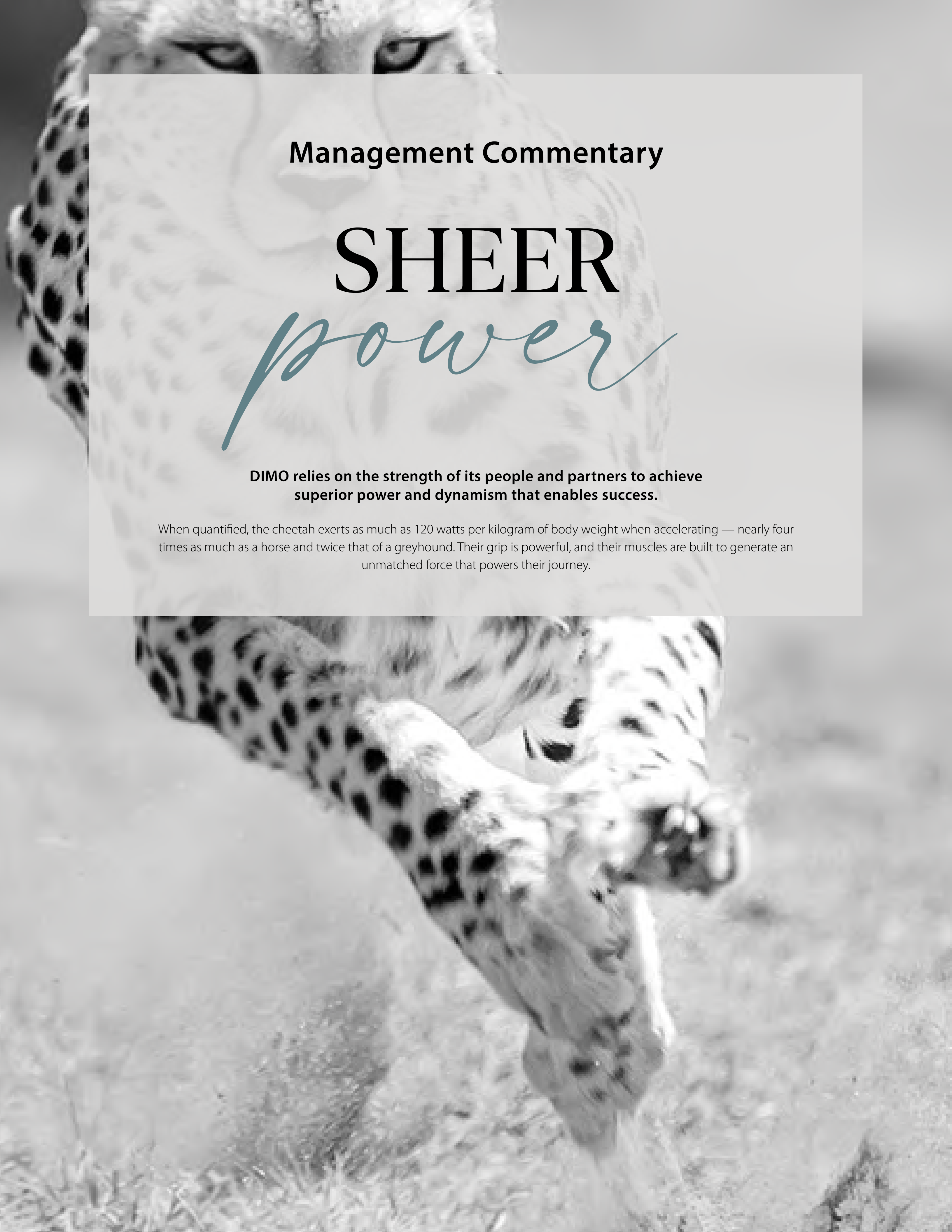
R.D.M.P. Wickramasinghe
Chief Information Officer

Management Commentary

SHEER *power*

DIMO relies on the strength of its people and partners to achieve superior power and dynamism that enables success.

When quantified, the cheetah exerts as much as 120 watts per kilogram of body weight when accelerating — nearly four times as much as a horse and twice that of a greyhound. Their grip is powerful, and their muscles are built to generate an unmatched force that powers their journey.



STRATEGY AND *resource allocation*

The corporate strategy of DIMO pivots predominantly around three main pillars, namely, Diversification, Differentiation, and Collaboration.

Figure 4: Corporate strategy framework

Our purpose:
Fuelling dreams & aspirations

DIMO Values Refer page 8

Our brand promise:
The Perfect Partner

Corporate Governance Refer pages 58 to 71 **& Sustainability Agenda – 2030** Refer page 88 to 95

Strategic pillar	Diversification	Differentiation	Collaboration
Time Horizon	Medium to long-term	Short to medium term	Short to medium term
Strategic Ambitions	Resilient product portfolio to combat economic pressure	Continuous organic growth	Become the partner of choice and strengthen partnerships to innovate and offer new value propositions
Strategic Actions	• Focus on essential goods in the portfolio and diversification into the Manufacturing sector • Venturing into export business	• Improved value via convenience, reach & awareness • Customer experience project blueprint • Differentiation through customer value proposition	• Improve partnerships by being responsive to stakeholder feedback • Launch of new corporate website to enhance the access to information for all stakeholders • Customer experience project blueprint
Key Enablers	• Appetite and capacity to invest • HR strategy Refer page 21 - 22 • Strategic plan	• HR strategy Refer page 21 - 22 • Marketing strategy Refer page 21 - 22	• Marketing strategy Refer page 21 - 22 • IT strategy – a. ERP revamp b. Develop intelligence and analytics capability Refer page 21 - 22
Capitals Impacted	FC MC HC IC NC	FC HC SC	FC SC IC

FC Financial Capital MC Manufactured Capital HC Human Capital SC Social and Relationship Capital IC Intellectual Capital NC Natural Capital

Table 1: Strategic actions explained

Strategic ambition	Strategic action	Strategy execution & capitals employed	Key challenges faced, our approach & its outcome
Resilient product portfolio to combat economic pressure	Focus on essential goods in the portfolio	Acquisition of Mansel (Ceylon) (Pvt) Ltd and Associated Laboratories (Pvt) Ltd in September 2022. Both companies are in the Pharmaceutical industry. (Total investment Rs. 225 million), Total staff is 55 and 32 respectively as at 31st March 2023.	Renegotiated banking facilities in order to obtain more attractive terms and tariffs despite economic conditions that prevailed.
	Diversification in to the Manufacturing sector and Venturing into export business	Acquisition of Virgin Oil International (Pvt) Ltd - a manufacturing base, which was rebranded as VOILA in August 2022 (Total investment Rs. 40 million), Total number of employees is 7 as at 31st March 2023.	Raising finances for new acquisitions during a period where banks had a liquidity shortfall. DIMO's resolve and commitment towards diversification made the acquisition possible.
		First ever export business invested by DIMO is Tropical Health Food (Pvt) Ltd (Total investment Rs. 450 million), 50 employees as at 31st March 2023. The venture is located in the Kurunegala District.	This company has been in operation for over 25 years and was mature in the processes and business partner relationships. Tough negotiations were needed to secure terms expected by DIMO.
Continuous organic growth	Differentiation through consumer value proposition	Offered more value for money to customers as measures to minimize the inflationary impact largely in the aftersales & retail segments.	In a situation where margins were under severe pressure due to subdued demand and the pressure to increase margins to cover increased overheads, the company was able to come up with value propositions that had the ability to win in the market.
	Improved value via convenience, reach & awareness	Expansion of distribution network for B2C markets. Total new dealers appointed under Agri and auto-motive parts businesses during the year was 193.	Q1 was the toughest period due to restricted economic activities and due to the fuel shortages. The Company managed to maintain customer interactions via virtual platforms during this period.
		Education and engagement with B2B customers through exhibitions, forums and congresses in Sri Lanka as well as overseas.	During a time where travel was restricted due to fuel shortages and also due to Covid-19, it was challenging to secure physical interactions with customers.

STRATEGY AND RESOURCE ALLOCATION

Strategic ambition	Strategic action	Strategy execution & capitals employed	Key challenges faced, our approach & its outcome
	Customer experience implementation as a differentiation strategy	The long-term objective of the project is to induce the customers to purchase and develop loyalty. Successfully concluded the blueprint stage of the project. Total investment Rs. 70 million	Raising awareness and changing mindsets internally from Customer Relationship Management to customer experience was the main challenge, where a roadmap for a seamless transition was established with the engagement of Group HR function.
Become the partner of choice and strengthen partnerships	Improve partnerships by being responsive to stakeholder feedback	Investment of Rs. 6 million in a corporate brand health study in order to identify the stakeholder perceptions about DIMO with the intention of immediately responding to negative as well as positive remarks. The project comprises of three phases **Phase 01** ✓ Finalisation of research framework and methodology **Phase 02** ✓ Qualitative information gathering **Phase 03** Quantitative information gathering	The diversified arms of DIMO and our presence in multiple sectors made it challenging to finalise phase 01 of the project, which consumed more hours of work than expected. Furthermore, the limited availability of our high-profile interviewees, such as doctors and engineers posed a challenge to the completion of phase 01 of the project on time.
	Launch of new corporate website to enhance access to information for all stakeholders	With the increasing emphasis, engagement and connectivity across digital platforms, we revamped our online presence by developing a state-of-the-art, user friendly, 100% responsive website for DIMO Group with a number of added features for the betterment of all stakeholders including potential employees, customers, community. The site was launched in March 2023 with a total investment of Rs. 4 million	Developing a site that was modern, compatible with the latest platforms and devices, user friendly and one that represents DIMO values with the right technology was a key challenge which was addressed via substantial research and study.
	Customer experience project blueprint implementation as a collaboration strategy	The blueprints ensured enhanced partnerships with customers as well as collaboration internally in working towards a common goal	As discussed earlier in this table

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It can be also viewed at https://www.dimolanka.com/

A look into the future...

- Focus on geographical expansion in order to improve revenue and enhance foreign currency earnings.
- Reconsider the strategy of related diversification in favour of unrelated diversification in order to seek opportunities for more value addition by DIMO in industries that hold greater potential.
- Investment in Enterprise Resource Planning (ERP) is expected to deliver scalability and cost reductions.

Our HR, Marketing and IT strategy are indispensable in the journey towards succeeding in what we do. These are the key strategic enablers of DIMO, which strengthens the corporate strategy.

Key strategic enablers at a glance

DIMO's HR strategy, Marketing strategy, IT strategy & Sustainability Agenda 2030 also play a steadfast role supporting the corporate strategy.

Refer pages from 88 to 95 to read more on Sustainability Agenda 2030.

Table 02: Key strategic enablers

	HR Strategy	Marketing Strategy	IT Strategy
Corporate Objective	To achieve organisational growth in line with corporate plans and enhance competitiveness through people in the short, medium and long-term	To deliver our brand promise to our customers and achieve a sustainable competitive advantage across our diversified businesses to facilitate the achievement of short, medium and long-term targets	To optimise business processes and structures to cater to rapidly changing business environments by digitalizing front and back office functionality in the short, medium and long-term
Strategy 2022/23	a) Re-imagine organisational design b) Change management to embrace digital transformation c) Focused training arm on customer experience establishment	a) Established a centralized team to work on the two corporate strategy pillars of differentiation and collaboration across the group, striving for strategic synergies	a) Group-wide business process re-modelling and introduction of modern digital solutions b) Centrally driven analytics team structure and systems to support group-wide decision support and information needs c) Increase corporate loyalty and value through enhanced customer experience

STRATEGY AND RESOURCE ALLOCATION

	HR Strategy	Marketing Strategy	IT Strategy
Challenges faced and our approach in 2022/23	• Getting employees physically to workplace in Q1 - In response, hybrid work model that was initiated during the previous years was continued • Brain drain - Special focus on the second layer employees while enhancing the employer brand • Increase in cost of living - Designed attractive compensation packages	• Due to the unfavourable economic circumstances driven by inflation during the year, there were notable changes in consumer behaviour. In the second-half, with scaled-up marketing efforts, new value propositions were offered to customers in an affordable manner	• Difficulties in internal and external collaborations, especially during the pandemic were addressed by rolling out digital infrastructure for staff to work from anywhere while enabling cloud-based critical business systems and 'Risk-based' security mechanism for enhanced user experience and security controls
Opportunities capitalized in 2022/23	• The travel restrictions brought about by fuel shortages threatened the group's operations. In response, shared travel and work-from-home enabled the company to create savings in terms of fuel costs, electricity costs and other costs related to running an office • These times were used for virtual training, knowledge sharing and ERP development	• To ensure customer connection throughout the island's energy deficit, we enhanced online engagement with customers through digital channels including DIMO retail web store, thereby familiarizing customers with digital interactions, which increased digital savviness of both customers and employees • Additionally, segment-specific solutions were developed to encourage revenue generation, such as providing the mobility sector with better lease and insurance conditions through specified financial partners	• Digitalization and automation including introduction of RPA (Robotic Process Automations), Digital signatures, Digital document management systems established to enable remote working for the staff • Data centre was upgraded to 'Tier 4' level
Capital trade-offs	Increase in HC IC Decrease in FC	Increase in FC SC Decrease in FC MC	Increase in IC Decrease in FC
Outlook	2023/24 will be another challenging year due to continuous professional migration and relatively high staff costs. DIMO continues to look at reimagining the organisational structures and designs while unlearning and relearning new ways of working with the new ICT infrastructure	Predominant focus on the medium term would be to execute the customer experience project and offer better experiences for customers	Automation wherever possible would be of high emphasis to gain a strategic competitive advantage Looking forward to collecting structured as well as unstructured data to use Data Science and Artificial Intelligence to support business

Basis for resource allocation

The matrix below illustrates the basis of capital allocation for each strategy. The basis demonstrates the criticality of each capital for each strategic aspiration.

Please refer to pages 42 and 56 of the Capital Report to get more information about how each capital is managed to ensure its availability, affordability and quality for each strategic pillar.

Table 03: Basis for resource allocation

Capital	Diversification	Differentiation	Collaboration
Financial	🔴	🔴	🟠
Manufactured	🔴	🟠	🟢
Human	🟠	🔴	🔴
Social & Relationship	🔴	🔴	🔴
Intellectual	🟠	🔴	🔴
Natural	🔴	🔴	🔴

🔴 High dependency 🟠 Moderate dependency 🟢 Less dependency

Capital trade-off

The table of value creation activities contained in each Business Report (page 30 - 41) specifies the value creation activities applicable to each business segment and the capital trade-off that takes place with each relevant value creation activity. The purpose of this analysis is to identify areas that should be efficiently managed in order to maximize value creation or to minimize value erosion during each capital trade-off.

Amid an intensely competitive environment, we continued to pursue our goals with purposeful determination.

VALUE CREATION *model*

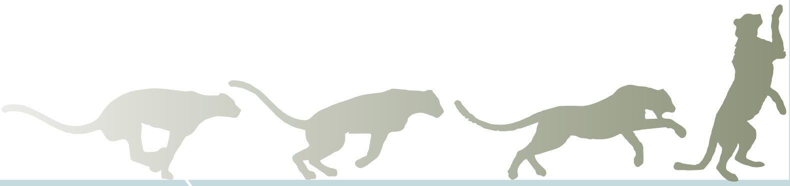
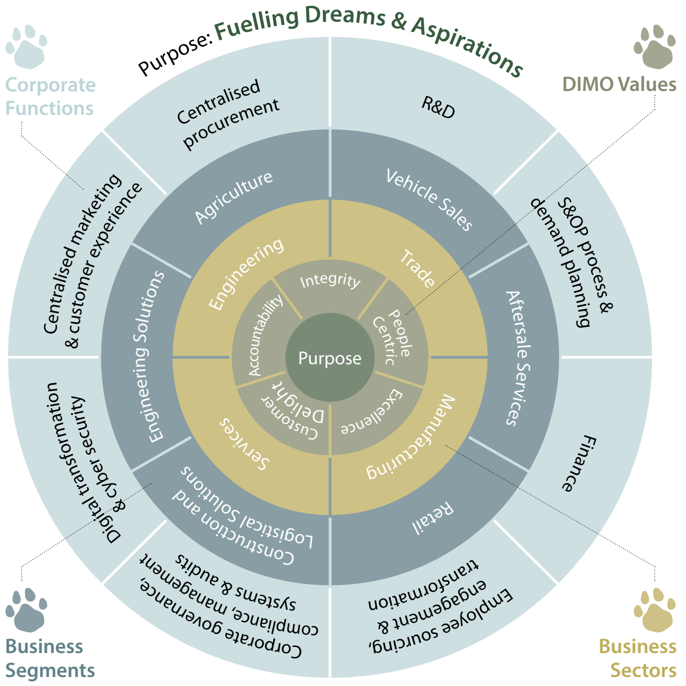


Figure 5: Value creation model

CAPITALS	INPUTS - AT THE BEGINNING OF THE YEAR	
Financial Capital Monetary assets that fund the assets of our business and increases our appetite for expansion, investment, and R&D for growth and value creation.	Rs. 15,466 million Equity Rs. 8,951 million Borrowings	
Manufactured Capital Inventory and Property, Plant and Equipment across the island excluding land.	Rs. 4,355 million PPE excluding land Rs. 9,800 million Inventory	31 No. of our owned buildings
Human Capital The human resources that convert the purpose into value and through whom innovative and competitive products and solutions are made possible for clients. The outcomes that benefit all stakeholders will depend on equity and fairness, people, skills, and experience.	50 Female employees in decision making roles 4.20 Employee engagement score	1,875 Employees
Social & Relationship Capital Relationships with stakeholders, including the communities in which we operate. The relationship capital that provides DIMO partners through with and for whom DIMO creates value.	92% CSI 94 Foreign principals	Rs. 24 million Voluntary investments in community progress
Intellectual Capital Intangible assets which include DIMO brand, reputation and franchise value, as well as capacities for research and development, innovation, to retain and use knowledge, expertise, and digital assets that enable us to create value.	Being recognised by external institutions for excellence in business conduct ISO 45001:2018 A certified Occupational Health and Safety Management System	
Natural Capital The natural resources that the group consumes in the course of its everyday operations including land.	85 acres Land Water management system	Waste management system Energy management systems

TRANSFORMING PURPOSE IN TO VALUE



Segment wise value chains are explained under Business Reports

Pages 30 - 41

OUTPUTS

Engineering

- Storage & material handling solutions
- Car parking solutions
- Medical infrastructure solutions
- Power & energy solutions
- Building technology solutions
- Fluid & water solutions
- Construction chemicals
- Aftersales services

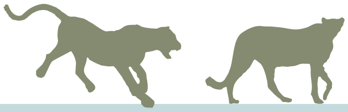
Trading

- Vehicles for transportation of passengers and goods
- Agri-machinery
- Spare parts
- Lighting products
- Home and garden products
- Fertiliser, seeds and agrochemicals
- Construction machinery
- Chemical solutions
- Pharmaceuticals & other healthcare products

Manufacturing/ Value Adding

- Food products for export and local market
- Fertiliser
- Seeds
- Vehicle assembly
- Camper trailers
- R&D techno-parks

REDEPLOYMENT OF CAPITALS



MANAGEMENT OF RISKS & OPPORTUNITIES

Enterprise Risks

1. Strategic
2. Operational
3. Business segment specific
4. Capital specific

ESG Risks

5. Climate related
6. Employee mobility
7. Reputation
8. Business partner retention

Enterprise Opportunities

9. Diversification, Differentiation, Collaboration
10. Improve credibility of management systems by accreditation
11. Introduce new unique selling propositions (USPs)
12. Enhance brand equity to compete for capital

ESG Opportunities

13. Introduction of sustainable products and services
14. Employee transformation and growth
15. Corporate brand management governance and best practices in sustainability
16. Partnership management through effective stakeholder engagement

Risk Management	1-2, 5-8	Page 81 - 86
Strategy & Resource Allocation	9	Page 18 - 23
Capital Reports	4,10,12,14,15	Page 42 - 56
Business Reports	3,11	Page 30 -41
Sustainability Agenda 2030	13	Page 88 - 95
Stakeholder Engagement	16	Page 77 - 80

OUTCOMES

Long term value creation | preservation | erosion

			Shareholders	Customers	Suppliers	Employees	Society
Financial Capital	Rs. **15,353** million Equity Rs. **13,730** million Borrowings	Rs. **62.73** EPS	🔴	🟠	🟠	🔴	🟠
Manufactured Capital	Rs. **4,712** million PPE excluding land Rs. **9,978** million Inventory	**31** No. of our owned buildings	🟢	🟢	🟠	🟢	○
Human Capital	**54** Female employees in decision making roles **4.20** Employee engagement score	**1,868** Employees Including all subsidiary employees as at 31st March	🟢	🟠	🟠	🟢	🟠
Social & Relationship Capital	**89**% CSI **116** Foreign principals	Rs. **17** million Voluntary investments in community progress	🟢	🔴	🟢	🟢	🔴
Intellectual Capital	Rs. **4** million Corporate website Certification to SEDEX (Supplier Ethical Data Exchange) and KOSHAR. Recertified to ISO 22000:2018 Food safety Management System for newly acquired Tropical Health Food (pvt) Ltd DIMO INITIUM and TATA vehicle assembly businesses certified for ISO 9001:2015 Quality Management System, and ISO 14001: 2015 Environment Management System		🟢	🟢	🟢	🟢	🟢
Natural Capital	**11,415** GJ Renewable energy (2021/22 – 11,739 GJ)	**917** m^3 Recycled and re-used water (2021/22 – 10,316 m^3)	🟠	🟠	🟠	🟠	○

🔴 Value erosion 🟠 Value preservation 🟢 Value creation ○ No Significant Impact

- 2 ZERO HUNGER
- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND
- 17 PARTNERSHIPS FOR THE GOALS

Services

- Education in Engineering
- Engineering Designs
- Engineering Consultancy
- Vocational Training
- Agri advisory services

BY - PRODUCTS

156,327 Kg
Solid Non – Hazardous Waste
(2021/22 – 246,996 KG)

66,903 Kg
Solid Hazardous Waste
(2021/22 – 108,321KG)

3,069 tCo_2e
Carbon Emissions
(2021/22 – 5,376 tCo_2e)

Transformation of purpose into value

The end - result of our purpose is to create value for our shareholders and stakeholders. Our association with stakeholders has taught us that the values stated in the VCM are the values that they expect DIMO to uphold. DIMO has so far chosen six segments in four sectors through which to deliver value by living DIMO values and thereby achieving our purpose. Value creation is enabled by corporate functions outlined in the VCM to transform purpose into value.

OVERVIEW OF THE operating context

Table 4: Operating context

Indicator	Scenario/Measure	Impact to DIMO
GDP Growth Rate	The Sri Lankan economy which grew by 3.7% in year 2021, suffered a contraction of 8.7% in year 2022. (Source – The Central Bank of Sri Lanka)	A significant part of the Group's offering consists of capital goods, for which demand is linked to GDP growth rate. Overall, the contraction had an adverse impact on demand for most of the goods and services offered by DIMO.
Interest Rates	The annual average of the Weekly Average Weighted Prime Lending Rate (AWPLR) for Financial Year 2022/23 was 26.61 percent compared to the annual average of 7.01 percent recorded in the previous financial year. As at 31st March 2023, the AWPLR was reported at 21.40. (Source – The Central Bank of Sri Lanka)	The high interest rates impacted the group in more than one way. Firstly, they made the capital goods that we sell less affordable to other businesses and consumers as the cost of leasing/ borrowing became phenomenally high. Secondly, it increased the interest cost of working capital, the full impact of which could not be passed on to the customer. Thirdly, it hindered the Group's diversification and expansion programmes due to the increased cost of funding.
Inflation Rate	Headline inflation measured by the year-on-year (YoY) change in the National Consumer Price Index settled at 49.20 percent in March 2023. (21.50% in March 2022) (Source – The Central Bank of Sri Lanka)	The increase in inflation during the financial year adversely impacted consumer demand, as spending power was curtailed. In addition, it increased the overhead costs of the Group, the full impact of which cannot be passed onto the customer.
Exchange Rates	The Rupee fell by 13% to Rs. 332.50 against the US dollar on March 31, 2023, compared to its closing rate of Rs. 293.87 per USD on March 31, 2022. Meanwhile, reflecting on cross-currency movements, the Sri Lankan Rupee depreciated against the Euro, the Sterling Pound and the Japanese Yen during the year. (Source – The Central Bank of Sri Lanka)	The depreciation of the Sri Lankan Rupee during the first three quarters of the year, resulted in an escalation of import costs for all the sectors of the Group. This led to a substantial price hike, affecting demand.
Import Restrictions	The government began placing restrictions on imports commencing April 2020, with some changes to the regulations since then. As at 31st March 2023, 679 items remained restricted compared to 1,465 items in March 2022. (Source – Sri Lanka Customs)	Import restrictions on vehicles continued to seriously affect revenues of DIMO. The import ban on various other items too had an impact on revenues and growth. With the lifted restrictions on few specific imports, towards the latter part of the financial year, DIMO had the opportunity to import and sell these goods by maintaining its competitive position in the market.
Covid-19 Pandemic	Compared to the financial year 2021/22, the impact of Covid-19 pandemic gradually reduced in the financial year 2022/23. (Source – World Health Organisation)	The gradual recovery from Covid-19 pandemic has helped the Group to get back to business as usual, although other economic factors negatively affected the outcome. The increase in agricultural activities started during the pandemic, contributed positively to DIMO Agri business, which also was a contributing factor towards the Agri business delivering impressive turnovers and results.

Sri Lanka experienced a serious economic crisis during the year that encompassed a lack of foreign exchange, unprecedented levels of inflation, extremely high interest rates, a government liquidity crisis, and the sharp depreciation of the Rupee, all of which triggered knock-on effects on consumers and society.

Overall, it was a period of extreme uncertainty with a dearth of resources to continue business as usual. In this context, the key external factors that were material for the DIMO group are discussed below.

	Impact on the Availability, Affordability, and the Quality of Capitals					
Future Outlook	**FC**	**MC**	**HC**	**SC**	**IC**	**NC**
Considering the progress that has been made thus far in relation to securing financial assistance from the International Monetary Fund (IMF), the economy, if managed carefully, is expected to gain momentum and lead itself to a path of recovery that will enable a positive economic growth. The latest forecast made by Asian Development Bank (ADB) shows a 4% increase in GDP growth rate for the calendar year 2023.	🔴	🟡	🔴	🔴	🟡	○
There is an evident decline in interest rates in the recent past. Public announcements by the Government also point to a desire to bring down the interest rates provided that inflation rates, affordability and other factors allow it.	🔴	🔴	🟢	🔴	🟡	○
Based on the latest macroeconomic projections of the Central Bank of Sri Lanka (CBSL) we expect a gradual slowdown in inflation throughout 2023 supported by a decline in global commodity prices due to subdued demand conditions and a similar downward trend in prices locally, which we expect to be primarily driven by a stronger Rupee.	🔴	🔴	🔴	🔴	🔴	🟡
The Rupee saw an appreciation during the period immediately succeeding the financial year. However, the recommencement of foreign debt repayment and the lifting of import restrictions are expected to lead to Rupee volatility. There is no formal guidance by Central Bank of Sri Lanka (CBSL) on the exchange rate.	🔴	🔴	🔴	🔴	🟢	○
Although there is no indication of the import ban on vehicles being relaxed, Sri Lanka is expected to relax the remaining import restrictions on various other items in a phased-out manner.	🔴	🟡	🔴	🔴	🟡	○
The World Health Organisation (WHO) has officially declared that Covid-19 no longer constitutes a public health emergency of international concern. Therefore, Covid-19 will no longer be considered a factor that would significantly affect Group performance.	🟡	○	🔴	🔴	○	○

🔴 High Impact 🟡 Moderate Impact 🟢 Low Impact ○ No Significant Impact

Please refer page 81 - 86 of the Risk Management section for more information about key risk mitigation.

Please refer page 10 - 11 of the Chairman's message and page 12 - 13 of Group CEO's statement for the perception of the management on operating context.

Please refer Business Reports on page 30 - 41 for industry specific external environmental context.

PROTECTION

We are armed with distinctive mechanisms designed to safeguard us against adversity.

OVERVIEW OF THE OPERATING CONTEXT

Indicator	Scenario/Measure	Impact to DIMO
Taxation	The corporate tax rate applicable to the company increased from 24% to 30%. The highest rate for personal income tax increased from 18% to 36%, standard Value Added Tax (VAT) rate increased from 12% to 15% and a 2.5% levy was imposed on turnover as Social Security Contribution Levy (SSCL). (Source – The Department of Inland Revenue)	The increase in income tax restricted the distribution of profits and the deferred tax liability of the Group. Increases in VAT and SSCL tax increased the prices of DIMO products to the end customer. The increase in personal income tax significantly affected the take-home salary of the employees.
Energy Prices	On 15th February 2023, electricity prices were increased by 66% in a move that the Government hoped would persuade the IMF to provide urgent support for the crisis-stricken economy. (Source – Public Utilities Commission of Sri Lanka)	The electricity cost of the Group was increased. DIMO's energy business sector had a higher demand for renewable energy resources such as solar panels. The sharp increase in energy cost pushed the Group to consider revising margins. The ability to pass on the full cost was a determining factor of competitiveness.
Human Capital	Compared to the Human Capital Index (HCI) score in 2021 which stood at 60, higher than the South Asian and global averages, the current HCI of Sri Lanka has weakened due to the Covid-19 pandemic and current economic crisis. (Source – Human Capital project Sri Lanka by World Bank)	The staff turnover rate of the Group was 23% in 2022/23 financial year, which was a 10% increase compared to the previous financial year. Migration is seen as a major contributing factor. We have also witnessed an expectation of higher gross remuneration among employees due to the impact of inflation and higher personal taxation. The positive factor regarding Human Capital management at DIMO is, post the outbreak of the pandemic the optimization of Human Capital has been assured through updated learning platforms coupled with virtual technology and the intervention of analytics.
Technological Development	The development in technology has been rapid during the past few years with Robotic Process Automation (RPA), Artificial Intelligence (AI) and the Data Analytics driving organisations to improve efficiency and effectiveness and quality of decision making.	Not keeping pace with technology may make DIMO lose out on cost competitiveness and customer experience.
Foreign Business Operations	Myanmar – due to the political instability the business environment is adversely affected. Bangladesh - Consistent GDP growth rates over 6% have rendered an enabling business environment. Maldives – Attracts high numbers of tourists and is a popular holiday destination. Uganda – Infrastructure development projects will be prioritized in Uganda. The volatility of the Uganda Schilling is seen as a negative factor.	Myanmar – The DIMO business activities suffered a major set-back due to the country's political instability. Bangladesh – Expansions in the construction sector positively impacted DIMO business operations. Maldives – Opportunities in Marine Engineering improved the DIMO business operations in the Maldives. Uganda – The infrastructure development projects carried out by DIMO in Uganda will be completed successfully during the ensuing financial year.

FC Financial Capital MC Manufactured Capital HC Human Capital SC Social and Relationship Capital IC Intellectual Capital NC Natural Capital

	Impact on the Availability, Affordability, and the Quality of Capitals					
Future Outlook	**FC**	**MC**	**HC**	**SC**	**IC**	**NC**
It appears that these high taxes will prevail for a longer period, requiring our businesses to adjust to the new way of life.	🔴	🟡	🔴	🔴	🟡	○
The Sri Lankan Government aims to achieve 70 percent electricity production through renewable sources by 2030. DIMO also has a long-term plan to invest in renewable power plants. With more renewable energy sources in place, electricity prices are expected to go down gradually. (Source – Sri Lanka Sustainable Energy Authority)	🔴	🟡	🟢	🟡	🟢	🔴
If the current macro-economic conditions in Sri Lanka remain the same, the employee turnover rate may persist and may directly increase the Company's cost of Human Capital. DIMO will have to seek ways of introducing technology and digitalized tools towards increasing efficiency and effectiveness of Human Capital.	🔴	🟢	🔴	🟡	🟢	🔴
Use of technology is rapidly increasing and DIMO is focused on using technology to compete.	🔴	🔴	🟡	🟡	🔴	🔴
Myanmar – The return to normalcy cannot be forecasted due to the prevailing political and economic instability. Bangladesh – In future, there will be more opportunities in the construction sector. Maldives – The increased activity in tourism will positively impact the operations of the DIMO Joint venture. Uganda – DIMO is seeking more opportunities in Uganda and the African region.	🔴	🔴	🟡	🟡	🔴	🟢

🔴 High Impact 🟡 Moderate Impact 🟢 Low Impact ○ No Significant Impact

BUSINESS reports

VEHICLE SALES

Vehicles for transportation of passengers and goods (brand-new motor vehicles, special purpose vehicles and pre-owned vehicles).

Industry & external environment

The embargo on import of motor vehicles continued for the third successive year seriously limiting business options. The segment was limited to sale of pre-owned vehicles, sale of TATA Ace vehicles assembled locally and prime movers which were permitted to be imported, though lacking in demand. These vehicle sales were too curtailed due to high interest rates and down payments applicable for leases.

Value chain

The following table shows how the segment-specific value creation activities impact each capital.

Table 5: Value chain activities and impact on capitals – Vehicle sales segment

Capital	Sourcing	Modifications Repairs	Delivering	Customer Engagement
Financial	🔴	🔴	🟢	🔴
Manufactured	🟢	🟢	🔴	🟠
Human	🟠	🟢	🟠	🟠
Social & Relationship	🟢	🟠	🟢	🟢
Intellectual	🟠	🟢	🟠	🟠
Natural	🔴	🟠	🟠	🟠

🔴 Value erosion 🟠 Value preservation 🟢 Value creation

Segment Strategy

Widening the pre-owned business for commercial vehicles arm was a product diversification strategy followed by the business. Curtailment of business was the only strategy for its survival with the alternative approach being to engage in vehicle assembly business.

Graph 1:

Vehicle sales segment revenue contribution to the Group

DIMO Batta Trucks give self-employed individuals the opportunity to organize their own transportation and run mobile sales outlets. This revolutionized their dependency on third party transport solutions. The reliability of the vehicle, its build quality, and unparalleled fuel efficiency sets the DIMO Batta apart from all other competitor vehicles.

"I am a curd businessman from Tissamaharama and currently have four shops in Colombo. My DIMO Batta vehicles travel to Colombo from Tissamaharama and back, on a daily basis. They run 365 days per year, covering a minimum of 500km per day. I also use these vehicles to transport coconut, rice, honey, etc. I started out with one DIMO Batta and now own five. This is a very reliable vehicle, backed by an efficient after sales team. Parts and service costs are affordable. My success is due to the cost-effective operations of DIMO Batta, especially its fuel efficiency, which allowed me to save a lot of money.

Mr. Nimal Rohana
Curd Businessman
Tissamaharama

Scan this QR Code to view the sales related stakeholder testimonial in Our Performance Section

Value Creation Dashboard

Table 6: Vehicle sales - Value creation dashboard

Capital	KPI's		Availability, Affordability & Quality of capitals					Sustainability pillars
			2022/23	2021/22	2020/21	2019/20	2018/19	
Financial	Revenue	Rs. million	2,710	5,684	6,439	13,783	20,318	🤝
	Contribution to the group's revenue	%	8	15	21	40	53	
	Segment results	Rs. million	(185)	189	340	659	968	
	Contribution to the group's segment results	%	(2)	3	11	22	31	
Manufactured	Total capital expenditure during the year	Rs. million	5	2	3	17	13	🤝
	Inventory	Rs. million	1,431	1,692	451	379	784	
Human	Engagement score	Index	3.95	4.36	3.76	4.08	3.88	🤝 🌐
	Employee benefits	Rs. million	236	258	349	406	489	
	Investment on Training & development	Rs. million	1	2	1	6	8	
Social & Relationship	Customer Satisfaction Index	%	92	96	93	91	91	🤝
	Foreign principals	No.	4	4	4	4	4	
Intellectual	IT spending (process & knowledge management, data security)	Rs. million	14	19	18	10	10	🤝
	Accredited management systems	No.	3	2	2	2	2	
Natural	Water consumption to generate one-million-rupee turnover	m^3	9.33	0.97	1.44	1.31	1.36	🍃
	Energy consumption to generate one-million-rupee turnover	GJ	0.88	1.42	1.11	1.19	0.98	

🤝 Business 🌐 Community 🍃 Environment

Segment specific risks & opportunities

Figure 6: Vehicle sales segment risks & opportunities

Enterprise

Risks

Uncertainty surrounding government policy on vehicle imports.

Segment's high dependency on government policy.

Risk of price escalations of light commercial vehicles that loses the attraction of target segment.

Non-availability of infrastructure to welcome electric vehicles.

Opportunities

Opportunities in electric vehicles charging infrastructure.

Opportunities for local value addition for locally assembled vehicles.

ESG

Risks

Risk of high employee attrition due to employee mobility.

Increasing preferences towards vehicles with better emission standards

Risks relating to exhaust emissions

Opportunities

Cost optimization and business scale down strategy

Opportunity for electric vehicle sales and vehicles with better emission records

Segment Outlook

- The industry is awaiting a signal from the Government regarding vehicle imports.
- Foreign principals have introduced efficient electric vehicles and DIMO is awaiting Government's policy change relating to vehicle imports.
- Demand for pre-owned vehicles may increase if interest rates reduce to acceptable levels.
- A strong demand for vehicles is anticipated if and when vehicle imports are permitted.

Impact on SDGs

13 CLIMATE ACTION

BUSINESS REPORTS

AFTERSALES SERVICES

1990 Suwa Seriya Pre-Hospital Care Emergency Ambulance service is designed to serve the people of Sri Lanka with response times on par with international standards. It caters to medical emergencies quickly and competently to stabilize the patient and transfer to a suitable hospital depending on the patient's condition. It offers its service 24 hours a day with 297 Tata ambulances operating across the island.

"The fleet uptime is crucial to the success of the service. DIMO After Sales Service and their 24-hour Roadside Assistance continue to ensure that our ambulances are available on the road 24/7 for any emergency. Their service and parts support has been excellent around the clock. Even during the Covid-19 pandemic period and spare parts import restrictions period, they went beyond the normal call of duty to ensure that our ambulances were operational."

Mr. Sohan De Silva
CEO
1990 SuwaSeriya Ambulance Service

Premium vehicles aftersales, mainstream vehicles aftersales, general engineering, vehicle assembly, camper trailer manufacturing and education in engineering.

Industry & external environment

Road passenger transportation activities improved towards the latter part of 2022/23, demonstrating a progressive normalization of public mobility. Despite COVID-19 and fuel availability issues, the private sector running grew by almost 25% in 2022. Lack of the most important three ingredients mentioned below made 22/23 the one of the hardest years for the aftersales segment, notwithstanding improvements in the external environment.

- Restrictions on automotive spare-parts imports for replacement
- Fuel availability
- Foreign currency availability for imports

Value chain

The following table shows how the segment-specific value creation activities impact each capital.

Table 7: Value chain activities and impact on capitals – Aftersales services segment

Capital	Solution Mapping	Sourcing	Engineering	Customer Engagement
Financial	🟢	🔴	🟢	🔴
Manufactured	🟠	🟢	🔴	🟠
Human	🟢	🟠	🟢	🟠
Social & Relationship	🟢	🟢	🟢	🟢
Intellectual	🟢	🟠	🟢	🟠
Natural	🟠	🔴	🟠	🟠

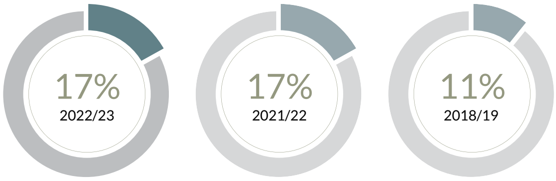
🔴 Value erosion 🟠 Value preservation 🟢 Value creation

Segment Strategy

The segment pre dominantly followed the differentiation pillar of the corporate strategy. Constantly seeking a differentiated proposition through quality, authenticity, ethical behaviour, customer confidence and value for money. The expertise from the 'Best in Class' foreign principals help the customer to have the optimum solution. The 'solutions' mindset of the aftersales teams adds value to customers in many ways. Tacit knowledge of the organisation carried by the team members is helpful in differentiating DIMO from other solutions available in the market.

Graph 2:

Aftersales services segment revenue contribution to the Group



Scan this QR Code to view the after sales related stakeholder testimonial in Our Performance Section

Value Creation Dashboard

Table 8: Aftersales services segment - Value creation dashboard

Capital	KPI's		Availability, Affordability & Quality of capitals					Sustainability pillars
			2022/23	2021/22	2020/21	2019/20	2018/19	
Financial	Revenue	Rs. million	5,986	6,220	4,889	4,468	4,245	🤝
	Contribution to the group's revenue	%	17	17	16	13	11	
	Segment results	Rs. million	1,445	1,583	964	867	806	
	Contribution to the group's segment results	%	19	29	31	30	26	
Manufactured	Total capital expenditure during the year	Rs. million	59	67	53	46	45	🤝
	Inventory	Rs. million	803	768	684	1,942	3,175	
Human	Engagement score	Index	4.31	4.28	3.91	4.29	3.95	🤝 🌐
	Employee benefits	Rs. million	614	587	440	476	720	
	Investment on Training & development	Rs. million	10	6	3	13	16	
Social & Relationship	Customer Satisfaction Index	%	88	87	89	87	85	🤝
	Foreign principals	No.	4	4	4	4	4	
Intellectual	IT spending (process & knowledge management, data security)	Rs. million	86	56	40	10	17	🤝
	Accredited management systems	No.	3	2	2	2	2	
Natural	Water consumption to generate one-million-rupee turnover	m^3	20.6	9.25	7.01	11.00	13.93	🌿
	Energy consumption to generate one-million-rupee turnover	GJ	1.94	2.03	2.68	3.58	4.45	

🤝 Business 🌐 Community 🌿 Environment

Segment specific risks & opportunities

Figure 7: Aftersales services segment risks & opportunities

Enterprise

Risks

Risk of automotive spare parts shortage due to import restrictions.

Risk of decline in sales due to affected disposable income and thereby consumers shifting away from franchised spare parts to low- cost alternatives.

Transitions from fuel combustion engines to fully electrically powered vehicles that require lesser repairs.

Opportunities

Improve efficiency to bring down costs.

Offer bundled services at affordable prices to attract more sales & retain private customers.

To exploit opportunities in repair of fully electrically powered vehicles.

ESG

Risks

Risk of the need to scale down combustion engine mechanics.

Skill migration of technical experts.

Opportunities

Promoting DIMO automobile training school diplomas to produce more professional experts.

Segment Outlook

- More focus to be given in the long-term to the vehicle assembly line to enhance the product portfolio, which will benefit the Mobility segment, followed by Aftersales segment.
- Rationalize the island-wide after sales network in response to the current economic situation.
- Expansion of operations of the joint venture in Maldives.
- Build on expertise in catering to electric vehicles aftersales market.

Impact on SDGs

4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
10 REDUCED INEQUALITIES
13 CLIMATE ACTION

BUSINESS REPORTS

RETAIL

Automotive parts, Lighting products, Home and garden products.

Industry & external environment

Trade operations were negatively impacted by import restrictions that led to a significant decline in import volumes, notably imports of consumer items, and due to fuel supply shortages during the year. The problem was made worse by the low demand conditions brought on by the decline in purchasing power due to the high inflationary environment and the increase in taxes and utilities costs.

Value chain

The following table shows how the segment-specific value creation activities impact each capital.

Table 9: Value chain activities and impact on capitals – Retail segment

Capital	R&D	Sourcing	Distribution Channels	Customer Engagement
Financial	🔴	🔴	🟢	🔴
Manufactured	🟠	🟢	🔴	🟠
Human	🟢	🟠	🟠	🟠
Social & Relationship	🟠	🟢	🟢	🟢
Intellectual	🟢	🟠	🟢	🟢
Natural	🟠	🔴	🟠	🔴

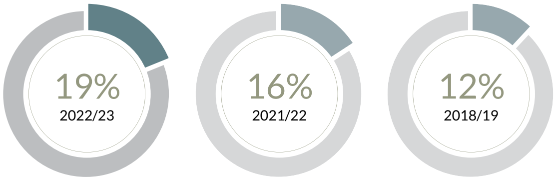
🔴 Value erosion 🟠 Value preservation 🟢 Value creation

Segment Strategy

Differentiation through transformation from a product driven business to customer focused business. The segment focused on providing solutions to customers as opposed to selling a product through its channels. Cross selling is focused upon. More details of the strategy is available from pages 18 - 23. Diversification in terms of product portfolio is currently being pursued.

Graph 3:

Retail segment revenue contribution to the Group



Skilled entrepreneurship needs both technical and practical knowledge. DIMO has taken the initiative to arrange product demonstrations and trainings for students who undergo courses at the National Apprentice and Industrial Training Authority (NAITA) and Vocational Training Authority (VTA). This gives them an opportunity to put their technical and theoretical knowledge into practical use, without having to purchase expensive modern equipment.

"While I was studying at the Vocational Training Authority (VTA), the DIMO Power Tools representative taught us to use the most modern power tools. With this practical knowledge, I was able to improve my skills and I have now started my own carpentry business. This is a good initiative.

Mr. NGR Lakmal (NVQ Level 3)
Kalagedihena

Scan this QR Code to view the retail related stakeholder testimonial in Our Performance Section

Value Creation Dashboard

Table 10: Retail - Value creation dashboard

Capital	KPI's		Availability, Affordability & Quality of capitals					Sustainability pillars
			2022/23	2021/22	2020/21	2019/20	2018/19	
Financial	Revenue	Rs. million	6,274	6,112	4,598	5,077	4,406	🤝
	Contribution to the group's revenue	%	19	16	15	15	12	
	Segment results	Rs. million	1,414	1,015	460	486	379	
	Contribution to the group's segment results	%	18	19	15	16	12	
Manufactured	Total capital expenditure during the year	Rs. million	31	12	12	39	76	🤝
	Inventory	Rs. million	2,331	2,369	1,532	1,788	1,719	
Human	Engagement score	Index	4.13	4.10	4.07	3.95	3.7	🤝 👥
	Employee benefits	Rs. million	591	544	460	448	399	
	Investment on Training & development	Rs. million	1	3	2	2	1	
Social & Relationship	Customer Satisfaction Index	%	88	90	86	87	84	🤝
	Foreign principals	No.	32	33	36	39	40	
Intellectual	IT spending (process & knowledge management, data security)	Rs. million	26	18	13	7	8	🤝
	Accredited management systems	No.	2	2	2	2	2	
Natural	Water consumption to generate one-million-rupee turnover	m^3	22.59	0.58	0.81	0.92	0.97	🌿
	Energy consumption to generate one-million-rupee turnover	GJ	2.13	1.42	1.90	2.05	2.63	

🤝 Business 👥 Community 🌿 Environment

Segment specific risks & opportunities

Figure 8: Retail segment risks & opportunities

Enterprise

Risks

Risk of high working capital cost if high interest rates persist.

Risk of decline in gross profit margin or volumes due to increased exchange rates and customer affordability.

Increased cost of overheads that may be difficult to recover.

Opportunities

Capitalize on supply problems in the trade, leveraging on DIMO capabilities.

Make cost optimization strategies more powerful and effective.

ESG

Risks

Risk of disposing environmental hazardous scrapped products through warranty returns.

Opportunities

Collaborate with other parties to dispose hazardous waste.

Introduce more environmentally friendly products to compete in the market.

Segment Outlook

- Greater emphasis to be placed on forming synergies to develop the human capital foundation within the segment.
- More cost effective revenue through channel and route to market optimization.
- Launch of a customer-centric DIY store & enhance customer experience.

Impact on SDGs

3 GOOD HEALTH AND WELL-BEING
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

BUSINESS REPORTS

CONSTRUCTION & LOGISTICAL SOLUTIONS

Construction machinery, storage, material handling and warehouse solutions, car parking solutions.

Industry & external environment

This segment serves the construction and logistics business domains. Due to the adverse economic situation in the country, initiation of new projects in this segment were curtailed and, in many instances, current projects were temporarily halted. The increase in interest rates and reduced appetite to borrow affected this segment, which comprises mainly capital-intensive projects and equipment.

Value chain

The following table shows how the segment-specific value creation activities impact each capital.

Table 11: Value chain activities and impact on capitals – Construction and logistical solutions segment

Capital	Solution Mapping	Sourcing	Engineering Installation & Testing	Aftersales Services	Continuous Customer Engagement
Financial	🟢	🔴	🟢	🟢	🔴
Manufactured	🟠	🟢	🔴	🟠	🟠
Human	🟢	🟠	🟢	🟠	🟠
Social & Relationship	🟢	🟢	🟢	🟢	🟢
Intellectual	🟢	🟠	🟠	🟢	🟢
Natural	🟠	🟠	🟠	🟠	🟠

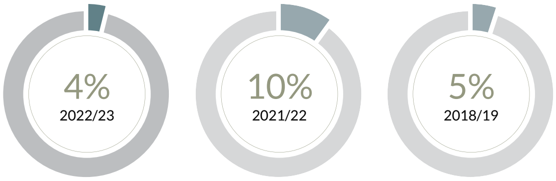
🔴 Value erosion 🟠 Value preservation 🟢 Value creation

Segment Strategy

The strategy for the construction and machinery business in 22/23 was to follow the corporate strategy pillars of diversification and collaboration. This strategy led commencement of a permanent establishment in Bangladesh. Establishing arrangements with overseas partners also helped us to expand the ambitions of this business. The section on strategy and resource allocation from pages 18 - 23 provides more information on this.

Graph 4:

Construction and logistical solutions segment revenue contribution to the Group



Scan this QR Code to view the construction and logistics related stakeholder testimonial in Our Performance Section

Cargills Ceylon PLC's Kist Production Plant sought a contemporary storage and material handling solution. DIMO Infrastructure successfully secured the opportunity to supply Schaefer material flow systems and Bendi Articulated Forklifts to meet their requirements.

"Our supplier selection process adhered to rigorous standards. Following a thorough tender procedure, we evaluated potential suppliers and ultimately chose DIMO based on their established reputation, corporate strength, and proven track record. The valuable input from our frontline operators aided our decision, as they expressed a preference for DIMO solutions based on their experience. We are highly content with DIMO's performance and the effective solutions they have provided."

Mr. Arjuna Kumarasinghe
Chief Operating Officer
Cargills Ceylon PLC

Value Creation Dashboard

Table 12: Construction & logistic solutions - Value creation dashboard

Capital	KPI's		Availability, Affordability & Quality of capitals					Sustainability pillars
			2022/23	2021/22	2020/21	2019/20	2018/19	
Financial	Revenue	Rs. million	1,431	3,708	1,943	1,607	1,984	🤝
	Contribution to the group's revenue	%	4	10	6	5	5	
	Segment results	Rs. million	399	618	303	250	263	
	Contribution to the group's segment results	%	5	11	10	9	9	
Manufactured	Total capital expenditure during the year	Rs. million	11	110	36	26	33	🤝
	Inventory	Rs. million	671	400	495	201	358	
Human	Engagement score	Index	4.53	4.50	4.09	4.13	3.85	🤝 👥
	Employee benefits	Rs. million	197	214	150	132	162	
	Investment on Training & development	Rs. million	1	1	1	2	2	
Social & Relationship	Customer Satisfaction Index	%	89	91	90	91	91	🤝
	Foreign principals	No.	19	20	17	17	18	
Intellectual	IT spending (process & knowledge management, data security)	Rs. million	7	5	3	2	2	🤝
	Accredited management systems	No.	2	2	2	2	2	
Natural	Water consumption to generate one-million-rupee turnover	m^3	4.93	2.27	2.32	3.49	3.49	🌿
	Energy consumption to generate one-million-rupee turnover	GJ	0.46	0.621	1.20	2.92	5.52	

🤝 Business 👥 Community 🌿 Environment

Segment specific risks & opportunities

Figure 9: Construction and logistical solutions segment risks & opportunities

Enterprise **ESG**

Risks

Increased cost of investment to customers due to exchange rate increase and cost of long-term borrowing.

Economic uncertainty.

High cost of working capital due to high interest rates.

Current setback for infrastructure and construction industries due to economic events.

Opportunities

Blueprints for venturing into foreign operations.

Collaboration with 3rd parties for alliances.

Risks

Talent migration due to lower prospects in outcome-based earnings.

Energy shortages.

Opportunities

Invest in construction machinery rental business.

Re-allocation of unutilised time of experienced employees for diversification including foreign operations and other new initiatives of the segment.

Demand for energy efficient solutions i.e hybrid excavators.

Segment Outlook

- Forecasted drop in interest rates and government's efforts to bring debt sustainability may increase business opportunities significantly.
- Further expansion of geographic footprint, by commencing a business operation in another country in 2023/24 provides additional revenues as well as geographical diversification.
- Business plans indicate that this segment will produce a much-improved performance.

Impact on SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

BUSINESS REPORTS

AGRICULTURE

Fertiliser, seeds and agrochemicals, agri machinery, organic food products for export and local market, R&D techno-parks, agri advisory services.

Industry & external environment

This segment faced a few problems during the early part of the financial year, which included limitations in opening letters of credit for imports, fuel shortages and an increase in costs due to rupee depreciation during the first quarter. However, with the help of financial institutions import of fertiliser was managed to an extent that supply shortages from DIMO were minimal.

Value chain

The following table shows how the segment-specific value creation activities impact each capital.

Table 13: Value chain activities and impact on capitals – Agriculture segment

Capital	R&D	Agriculture Inputs (Sourcing)	Production	Processing & Value Adding	Export & Retail Markets
Financial	🔴	🔴	🔴	🔴	🔴
Manufactured	🟢	🟢	🟢	🟢	🔴
Human	🟢	🟠	🟢	🟠	🟠
Social & Relationship	🟠	🟢	🟠	🟠	🟢
Intellectual	🟢	🟠	🟠	🟠	🟠
Natural	🟢	🟠	🔴	🔴	🟠

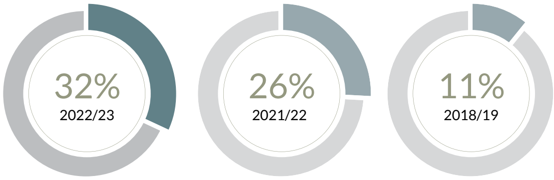
🔴 Value erosion 🟠 Value preservation 🟢 Value creation

Segment Strategy

All three pillars of DIMO corporate strategy were seen in action in this segment. Product and service differentiation was the key strategy of the segment under the theme of 'next generation agriculture' that focuses on transformation of traditional agriculture to contemporary agriculture through management, technology and innovation. Segment's newest additions to the business, namely, Tropical Health Food (Pvt) Ltd. and Virgin Oil International (Pvt) Ltd. are clear examples of diversification in terms of product as well as geographically, through exports. The segment also partnered with new renowned principals in Germany, Belgium, and Thailand, by bringing in technology to Sri Lanka.

Graph 5:

Agriculture segment revenue contribution to the Group



Scan this QR Code to view the agriculture related stakeholder testimonial in Our Performance Section

Farmers are facing substantial challenges due to the prevailing economic situation in the country. In particular, the significant costs associated with renting tractors to prepare their fields for crop cultivation is a growing concern. Despite these hardships, DIMO has stepped forward to provide valuable assistance to farmers in Bellana, offering Mahindra tractors free of charge for land preparation.

"I oversee a village organisation comprising 85 farming families who collectively work on 120 acres of land. We extend our heartfelt gratitude to DIMO and Mahindra Tractor Company for their invaluable support in preparing our fields. This noble act of generosity will greatly alleviate the difficulties we currently encounter."

Mr. Serasinghe Bandara
President
Bellana Govi Development Society

Value Creation Dashboard

Table 14: Agriculture - Value creation dashboard

Capital	KPI's		Availability, Affordability & Quality of capitals					Sustainability pillars
			2022/23	2021/22	2020/21	2019/20	2018/19	
Financial	Revenue	Rs. million	11,331	9,804	7,565	3,532	4,153	🤝
	Contribution to the group's revenue	%	32	26	25	10	11	
	Segment results	Rs. million	3,753	1,992	599	124	307	
	Contribution to the group's segment results	%	49	36	19	4	10	
Manufactured	Total capital expenditure during the year	Rs. million	132	53	68	88	105	🤝
	Inventory	Rs. million	2,526	1,827	596	353	115	
Human	Engagement score	Index	4.37	4.02	3.58	4.21	3.77	🤝 🌐
	Employee benefits	Rs. million	450	321	243	203	206	
	Investment on Training & development	Rs. million	61	1	0.5	1	2	
Social & Relationship	Customer Satisfaction Index	%	91	89	88	85	84	🤝
	Foreign principals	No.	21	5	3	2	2	
Intellectual	IT spending (process & knowledge management, data security)	Rs. million	11	5	4	2	1	🤝
	Accredited management systems	No.	6	4	4	2	2	
Natural	Water consumption to generate one-million-rupee turnover	m^3	39.00	2.00	4.20	0.44	1.53	🍃
	Energy consumption to generate one-million-rupee turnover	GJ	3.67	0.94	1.44	1.58	3.45	

🤝 Business 🌐 Community 🍃 Environment

Segment specific risks & opportunities

Figure 10: Agriculture segment risks & opportunities

Enterprise **ESG**

Risks

Risk of business continuation during fertiliser ban in Sri Lanka.

Risk of lower revenue, through adversely affected demand as a result of unprecedented price escalations in the market.

Possible risk of excessive regulation by government relating to fertiliser imports.

Low demand for agri machinery due to high leasing rates and down payments.

Opportunities

Partnered with farmers during their worst period through agri advisory services and strengthened the partnerships as a long-term investment.

Move from higher to lower government regulation provided a level playing field in the fertiliser industry.

Risks

Unclear understanding of the truths and myths surrounding use of organic fertiliser

Excessive use of fertiliser and agrochemicals can be harmful to the environment and society.

Incomes of Agri Machinery hirers in the farming areas affected due to disruptions in Agriculture and unaffordable interest rates.

Too much dependence of agriculture sector on rainfall

Opportunities

Explaining correct use of fertiliser and agrochemicals and advisory through customer interaction initiatives allow development of customer intimacy

Segment Outlook

- Having faced many obstacles, the segment performed extremely well during the year.
- Expects a year with a favourable economic background that will help the country's agriculture.
- With the stability of the country's agriculture sector improving, this segment is expected to deliver satisfactory result for the ensuring year.
- Committed to be a leader in propagating technology-based agriculture to maximize yields.
- Plans are afoot to make further investments and take the agriculture business to facilitate a leap in DIMO Agriculture to the next level.
- Long term goal of the business is to balance the agriculture portfolio between agriculture inputs and outputs.

Impact on SDGs

BUSINESS REPORTS

ENGINEERING SOLUTIONS

Engineering and related solutions in power & energy, building technologies, water and fluid management, and healthcare.

Industry & external environment

The Government's construction projects made barely any progress in 2022, which was due to the year's severe financial constraints, shortages of raw materials, and escalations in the cost of construction industry inputs. With regard to healthcare industry, the investment on capital goods were at its lowest, predominantly due to liquidity constrains. However, in terms of power & energy industry, Sri Lanka Sustainable Energy Authority continued to engage in developing all forms of renewable energy, improving energy efficiency and encouraging energy conservation, while National Water Supply and Drainage Board increased its services in supplying safe and sustainable water to satisfy the rising demand for pipe-borne water.

Value chain

The following table shows how the segment-specific value creation activities impact each capital.

Table 15: Value chain activities and impact on capitals – Engineering Solutions segment

Capital	Solution Mapping	Sourcing	Engineering, Installation, Testing, Commissioning, and Project Management	Aftersales Services	Customer Engagement
Financial	🟩	🟥	🟩	🟩	🟥
Manufactured	🟧	🟩	🟥	🟥	🟧
Human	🟩	🟧	🟩	🟧	🟧
Social & Relationship	🟩	🟩	🟩	🟩	🟩
Intellectual	🟩	🟧	🟩	🟩	🟧
Natural	🟧	🟥	🟧	🟧	🟧

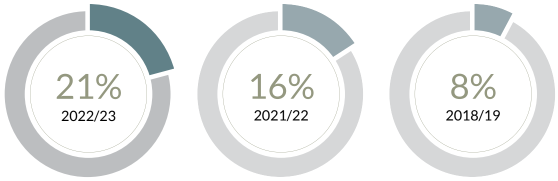
🟥 Value erosion 🟧 Value preservation 🟩 Value creation

Segment Strategy

The differentiation strategy was followed by leveraging in-house technology capabilities and expertise of 'best in class' foreign principals. Create a position of strength by building teams, that can provide solutions for complex engineering related issues to a niche. Geographical diversification was also sought by securing business opportunities overseas.

Graph 6:

Engineering Solutions segment revenue contribution to the Group



Scan this QR Code to view the engineering related stakeholder testimonial in Our Performance Section

Fluorodeoxyglucose (FDG) is a radiotracer that is vital in the use of Positron Emission Tomography (PET), an important medical imaging format. The transportation of FDG presents a highly delicate logistical challenge. The radiotracers must be meticulously handled with upright storage within a lead-shielded setting, while maintaining controlled room temperatures. Additionally, it is noteworthy that FDG exhibits a relatively short half-life of 110 minutes.

DIMO Healthcare successfully ensured that a steady and stable supply of Fluorodeoxyglucose (FDG) is provided to Apeksha Hospital - Maharagama for their critical PET Scans.

"The exceptional focus on precision and the display of professionalism by the teams at DIMO and Healthcare played a significant role in our decision to form a partnership with DIMO. Despite encountering various obstacles, they have consistently delivered the supplies promptly, which is a commendable achievement".

Dr. P. A. S. P. Sarath Perera
Consultant Radiologist
MBBS, MD (Radiology)
Apeksha Hospital - Maharagama

Value Creation Dashboard

Table 16: Engineering Solutions - Value creation dashboard

Capital	KPI's		Availability, Affordability & Quality of capitals					Sustainability pillars
			2022/23	2021/22	2020/21	2019/20	2018/19	
Financial	Revenue	Rs. million	7,567	6,179	5,386	5,911	3,196	🤝
	Contribution to the group's revenue	%	21	16	17	17	8	
	Segment results	Rs. million	878	73	407	546	366	
	Contribution to the group's segment results	%	11	1	13	19	12	
Manufactured	Total capital expenditure during the year	Rs. million	29	34	166	198	65	🤝
	Inventory	Rs. million	310	137	123	101	85	
Human	Engagement score	Index	3.95	4.15	4.15	3.94	3.51	🤝 🌐
	Employee benefits	Rs. million	634	470	611	595	473	
	Investment on Training & development	Rs. million	8	6	2	8	12	
Social & Relationship	Customer Satisfaction Index	%	85	97	89	98	98	🤝
	Foreign principals	No.	44	37	31	31	27	
Intellectual	IT spending (process & knowledge management, data security)	Rs. million	26	15	9	5	5	🤝
	Accredited management systems	No.	3	2	2	2	2	
Natural	Water consumption to generate one-million-rupee turnover	m^3	39.00	0.23	0.27	0.41	1.78	🍃
	Energy consumption to generate one-million-rupee turnover	GJ	3.67	1.22	0.91	1.09	2.00	

🤝 Business 🌐 Community 🍃 Environment

Segment specific risks & opportunities

Figure 11: Engineering Solutions segment risks & opportunities

Enterprise

Risks

Economic risk of unprecedented price escalations of raw materials thereby increasing project costs.

Slowdown of growth opportunities in Sri Lanka.

Opportunities

Re-negotiate contracts.

Enter overseas markets.

Enter into service contracts to increase preventive maintenance.

ESG

Risks

Spike in skilled migration of engineers

Opportunities

Opportunities for succession for remaining employees.

Seek business partnerships with migrating employees.

Segment Outlook

- Looking forward to expanding our healthcare domain by entering into related new businesses and growing the recently acquired businesses.
- Energy sector to enhance footprint in renewable energy.
- Strengthen our presence in the Maldives and other neighbouring countries in power and energy business in the medium term.
- Long term focus on a portfolio in renewable energy.

Impact on SDGs

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

CAPITAL *reports*

Segregation of Monetised Capital

Under the diversification strategy, DIMO has invested in manufacturing and value adding plants and other facilities during the year, which led us to believe, that it is important to segregate Financial Capital and Manufactured Capital.

Table 17: Statement of capital performance

Capitals	Unit	2022/23	2021/22	2020/21	2019/20	2018/19
Financial Capital						
Equity	Rs. million	15,353	15,466	14,961	12,349	12,080
Borrowings	Rs. million	13,730	8,951	4,551	11,287	10,134
Earnings per share	Rs.	62.73	76.06	52.72	21.12	5.78
Gross margin	%	38.38	26.30	24.23	21.21	19.03
Debt to equity ratio	%	47.21	36.66	23.33	47.75	45.62
Manufactured Capital						
Freehold building	Sq. ft.	823,359	823,359	823,359	775,321	748,891
Inventory	Rs. million	9,978	9,800	6,198	8,007	8,360
Human Capital						
Employee engagement score	Index	4.20	4.20	4.06	4.11	3.89
Average training hours per employee	Hours	11	23	19	13	19
Female employees in decision-making roles	Number	54	50	43	42	45
Social and Relationship Capital						
Customer satisfaction index	%	89	90	89	92	87
Number of strategic relationships with foreign principals	Number	116	94	86	88	85
Investment in social progress	Rs. million	17	24	22	75	89
Intellectual Capital						
Being recognised as a Great Place to Work	Status	Yes	Yes	Yes	Yes	Yes
Recognition for corporate reporting by external bodies	Status	Yes	Yes	Yes	Yes	Yes
Obtaining ISO accreditation for QMS and EMS	Status	Yes	Yes	Yes	Yes	Yes
Natural Capital						
Total water consumption to generate Rs. 1 million revenue	m^3	1.44	2.62	3.13	2.67	3.08
Total energy consumption to generate Rs. 1 million revenue	GJ	1.21	1.52	1.47	1.90	2.00
Renewable energy generation	GJ	11,415	11,739	10,734	N/A	N/A

MANAGEMENT APPROACH – ALIGNMENT TO STRATEGY

Table 18: Capital report - management approach

Capital	Diversification	Differentiation	Collaboration
Financial	Financial capital is critically important to implementing our diversification strategy. This strategy also places demand on long-term financial capital and is expected to create financial value in the medium to long-term.	Differentiation strategy is mainly executed via marketing strategy, and therefore, the requirement of financial capital is known once the marketing strategy is finalized. Expected to create value in the short term.	Collaboration strategy is mainly dependent upon relationship capital and intellectual capital. The requirement of financial capital will depend on the type of collaboration. Financial value creation is likely to happen in the short, medium and long-term.
Manufactured	Manufactured capital is a necessity when diversification happens. For related or unrelated investments and acquisitions, financial capital support is needed to enhance manufactured capital.	Not Material	Not Material
Human	The increase in human capital is a positive consequence of diversification. There may be a need to trade-off financial capital to attract expert talent in the new ventures. Increased Human Capital can bring value to DIMO in the short, medium and long-term.	Differentiation strategy requires fresh as well as mature human capital in order to invent new marketing strategies, processes and procedures to create financial value in the short and medium term.	Collaboration strategy requires Human Capital as the benefits of collaboration are brought about by the actors behind collaboration - Human Capital.
Social & Relationship	Diversification requires relationship capital to be used to create partnerships for the new business. This capital helps to yield value in short term whilst strong relationships can bring value over a longer period.	N/A	Increased social and relationship capital is mandatory for collaboration, considering that it is the most essential ingredient for collaboration to succeed.
Intellectual	The strategy demands increased intellectual capital to perform better with synergies via diversification. This will result in increased economies of scale to deliver better financial results.	Strategy is backed by the intellectual capital of the business. The tacit knowledge of employees makes the differentiation strategy a reality, which creates human capital as well as financial capital in the short and medium term.	Intellectual capital plays a pivotal role in the collaboration strategy as it becomes a key value creator when two parties collaborate. Financial capital, social and relationship capital as well as human capital are the capital enablers for this strategy to create value in the short, medium and long-term.
Natural Capital	Natural Capital may not be the key capital to initiate a diversification. However, depending on the area of diversification, the need for natural capital may arise. A case in point is the diversification into Agriculture which required a significant amount of natural capital in terms of land and water.	Natural Capital in the form of water and land is required mostly for the agriculture and vehicle aftersales businesses. This is in moderate amounts. Although, these capitals are used in Agriculture, these are generally not used to differentiate.	Sometimes it is possible that DIMO comes up with a natural capital such as land, in order to develop novel partnership under collaboration strategy. However, there are no such plans at the moment.

CAPITAL REPORTS

FINANCIAL CAPITAL

Our financial capital consists of monetary resources which are deployed with a view to creating value through our business activities. Effective and efficient financial capital management is a fundamental part of our ability to create sustained value for our stakeholders.

During the year, we focused on protecting our financial resilience by securing financial resources to continue the business uninterrupted and by ensuring that we maintain healthy levels of liquidity.

The main indicators of financial capital together with their quality and quantity are discussed in this section.

Quantity & quality of capitals

Rs. **621** million
Stated Capital
(2021/22 – Rs. 621 million)

Rs. **8,744** million
General Reserves and Retained Earnings
(2021/22 – Rs. 8,238 million)

Rs. **11,757** million
Short-term borrowings
(2021/22 – Rs. 7,223 million)

Rs. **1,973** million
Long-term borrowings
(2021/22 – Rs. 1,729 million)

A resilient balance sheet with sustainable cash flows

14%
ROCE
(2021/22 – 8%)

Rs. **4,358** million
Earnings before interest, tax, depreciation and amortization
(2021/22 – Rs. 2,411 million)

Rs. **2,568** million
Net cash position
(2021/22 – Rs. 3,653 million)

Rs. **115** million
Paid as a cash dividend
(2021/22 – Rs. 111 million)

The financial ratios disclosed on page 205 provide more financial ratios.

Availability of Financial Capital

The Board of the Directors together with the Group Management Committee regularly monitors the Group's working capital to ensure that sufficient funds are available to meet future working capital requirements and planned investments.

Table 19: Risks & responses relating to Financial Capital

Risk	Mitigation Strategy
Unexpected increases in interest rates	• All clusters consistently follow up on debtors and inventory to minimise and reduce the requirement of working capital funding • Cash-based sales are encouraged at business units with credit sales opted for where necessary • Maintain an appropriate combination of fixed and floating rate borrowings.
Sustaining a surplus liquidity position	• Increased focus on cash collection efforts and inventory management. • Negotiate credit terms with suppliers.

Risk	Mitigation Strategy
Non-availability of funds for growth and expansion	• Credit lines are secured on a long-term basis to fund and match investments and their returns. • Burden of investments on DIMO cash flows is always evaluated prior to giving the 'go' decisions for new investments.
Changes in taxes and tariff	• Effective tax planning • Reduction of overheads in situations where increases in direct taxes or tariff cannot be fully passed on to the customer.

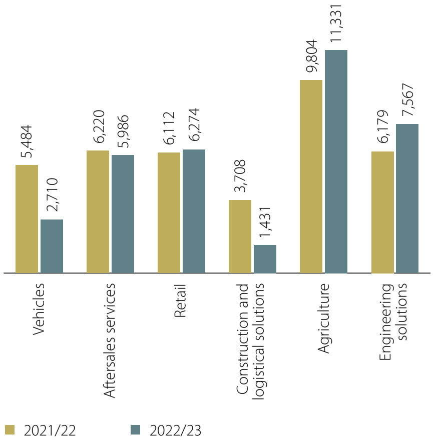
Group's Financial Results - Nurturing Financial Capital

The Group recorded a net profit before tax for the financial year under review through its diversified businesses and remained resilient throughout the year, despite many adverse events such as a rapid depreciation of the rupee, unusually high interest rates and fuel shortages.

Revenue

During the year, the Group recorded a revenue of Rs. 35,299 million (2021/22: Rs.37,507 million), generated through six business segments. Revenue generated by each business segment is shown below.

Graph 7:
Segment Revenue (Rs. million)



- The Agricultural and Engineering Solutions segments collectively contributed Rs. 18,608 million (2021/22: Rs. 15,983 million) representing more than 50% of the Group revenue.
- Revenue generated by the Retail segment increased by 3% during 2022/23 (2021/22: 33%).
- A turnover reduction of 61% in Construction and Logistical Solutions, 51% in Vehicle sales and a 4% in After Sales services segment contributed to an overall reduction of 6% (2021/22: increase 22%) in Group turnover for the year.

Strategies identified for Revenue Growth

The Group's strategies for medium to long-term growth in revenue and profits are presented in the Strategy and Resource Allocation section on pages 18 to 23.

Gross Profit

The Group Gross Profit margin increased from 26% to 38% during the year. One reason for this increase was the inclusion of the rupee depreciation effect in selling prices during the year, whereas the exchange loss due to such depreciation was recognized in the previous year. However, in an environment where business was adversely affected due to non-availability of foreign exchange and fuel shortages, the efforts were heavily focused on securing requisite gross profit margins.

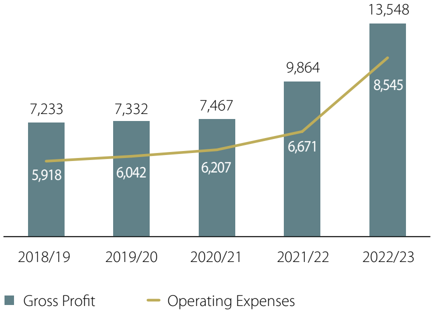
The total Gross Profit for the year increased by 37% (2021/22: 32%) to Rs. 13,548 million (2021/22: Rs. 9,864 million).

Operating Expenses

Group incurred Rs. 8,545 million as operating expenses (2021/22: Rs. 6,671 million) representing 63% of the total Gross Profit of the Group for the year under review.

Group's Gross Profit and Operating Expenses over last five years are shown below.

Graph 8:
Gross Profit vs Operating Expenses (Rs. million)



The Management continuously strives to identify ways of reducing operating expenses in order to lessen the pressure on the Gross Profit margins. Optimization of cost structures, improvement of productivity, and reduction of discretionary expenses are some measures taken in this direction. In order to manage cost escalations in the medium and long-term, the Company is on a path to introduce technology, which will also bring the additional benefit of improved customer experience.

Finance Expenses (Net)

The Group's net finance expenses increased by 102% to Rs. 4,566 million (2021/22: Rs.2,263 million) during the year, compared to the previous financial year. The increase in net finance expense was primarily driven by a significant increase of 381% in the interest expenses on short-term borrowings to Rs. 2,917 million (2021/22: Rs. 606 million). The increase in short-term borrowing during the year amounted to Rs. 4,534 million (2021/22: 4,160 million) as it was the main source of funding for the Groups' net current assets which decreased from Rs. 4,619 million to Rs. 3,107 million. One of the reasons for the increase in short-term borrowings is the situation where payments had to be remitted in advance as opposed opening of letters of credit.

CAPITAL REPORTS

FINANCIAL CAPITAL

Further, the Monetary Policy of Central Bank of Sri Lanka caused the AWPLR to rise from 9.71% at the beginning of the year to 21.40% at the end of the year.

The interest cover of the Group, stood at 1.22 times in comparison to 2.37 times in 2021/22.

The Group also incurred a net foreign exchange loss of Rs. 1,322 million (2021/22: 1,470 million) due to the increase in the exchange rate during the first quarter of the year.

The selling rate of the USD published by the Central Bank of Sri Lanka as at the beginning of the year was 298.99 whilst it was 336.01 as at the end of the year.

Limitations in the availability of foreign currency for imports compelled the Group to establish letters of credit on a usance basis, thereby creating a forex exposure on account of trade payables. The higher exposure, together with rapid increases in the exchange rate, led to the substantial foreign exchange loss as noted above. In response, the Group reviewed pricing mechanisms more frequently to recover such forex losses either partially or fully. Price adjustments made to recover forex losses too contributed to the increase in gross profit margins.

Taxation

The tax we pay is important to the economic and social development of the country and therefore we have a responsibility to comply fully with relevant tax laws and regulations. The Group's income tax charge for the year was Rs. 39 million (2021/22: Rs. 311 million). The reason for the reduction in the tax charge was mainly due to decrease in taxable income by 112% to Rs.394 million during the year (2021/22: Rs. 3,146 million). The effective tax rate (including the effect of the deferred tax expense) also decreased to 5%, as against 27% recorded in 2021/22, for the same reasons.

The reconciliation between accounting profit and taxable income is available in Note 4.6.3 to the Financial Statements. A summarised computation of deferred tax is provided in Note 4.24 to the Financial Statements.

Profitability

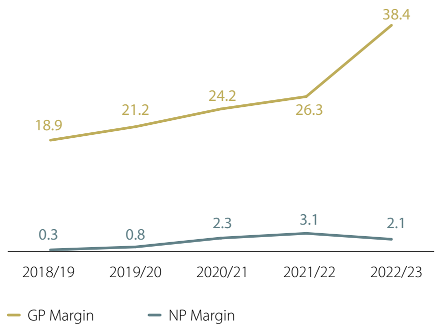
The profit before tax stood at Rs.737 million (2021/22: Rs. 1,165 million) for the year under review, a decrease of 37%.

The profit after tax too decreased by 18% to Rs. 698 million from Rs. 854 million in the previous year.

Groups' Gross profit margin and Net profit (before tax) margin over the last five years are depicted below.

Graph 9:

Gross Profit vs Net Profit (%)



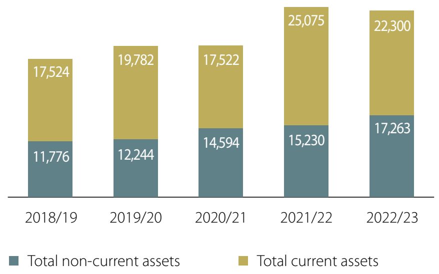
Group's Financial Position

The Group was able to maintain a desirable financial position with a total asset base of Rs. 39,562 million and total liabilities amounting to Rs. 24,209 million as at 31st March 2023. (Rs. 40,305 million total assets and Rs.24,839 total liabilities as at 31st March 2022)

The summary of the Group's financial position is illustrated below.

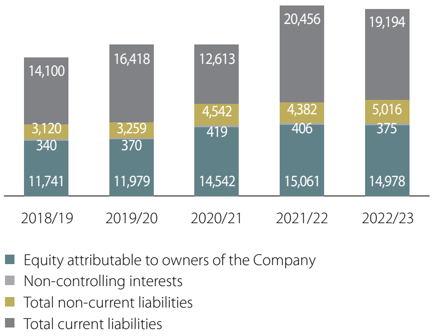
Graph 10:

Total Assets (Rs. million)



Graph 11:

Total Liabilities and Equity (Rs. million)



Group Assets

The efficient and prudent management of monetised assets such as property, plant and equipment, inventory, receivables and cash and cash equivalent, is imperative to maximising profitability and liquidity.

As depicted in Graph 10, the Group's Non-Current Assets increased by 13% to Rs. 17,262 million (as at 31st March 2022: Rs.15,230 million) mainly due to the increase in intangible assets and goodwill and investments in property, plant and equipment. Group's intangible assets and goodwill represents Rs.798 million of goodwill arising from business acquisitions during the year (2021/22: Nil) and Rs. 286 million of intangible assets spent on the ERP system (2021/22: Rs. 175 million). During the year, the Group incurred Rs. 820 million for capital investments with the aim of generating long-term value to stakeholders (2021/22: Rs. 515 million).

The decrease in the Group's Trade and other receivables, other current assets and cash and cash equivalents resulted in a decrease in Group's total currents assets by 11% to Rs. 22,300 million (2021/22: Rs.25,075 million) and a reduction in Group's total assets by 2% compared to previous financial year (2021/22: 25% increase). The Board together with the management closely monitors the Group's Cash and Cash equivalents to ensure availability of funds for the Group's operation. The Group has a dedicated treasury function to ensure securing and effective use of funds.

Liquidity Management and Working Capital

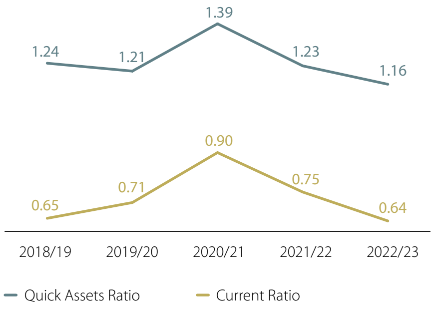
Liquidity management is vital to creating a strong financial foundation for the Group. We manage liquidity risk by proactively planning the maturities of debts, receivables, forecasts and cash flows. Acquisitions of Property, Plant and Equipment and new investment are usually funded through separate medium to long-term funding arrangements.

We broaden our funding sources and maintain a healthy level of undrawn committed bank facilities and cash in hand to meet immediate funding requirements and to cover short to medium-term liquidity needs.

Maintaining a healthy current ratio and a quick asset ratio is vital for managing liquidity. As depicted in Graph 12, the Group has maintained its current ratio at 1.16 times and quick ratio at 0.64 times at the end of the year 2022/23. However, reductions in total current assets and total current liabilities of the Group caused both ratios to decrease compared to previous financial year. The decrease is mainly due to a slight increase in inventory holding in the backdrop of reduced current assets.

Graph 12:

Liquidity Ratios



Group's net current assets decreased by 33% to Rs. 3,108 million as at 31st March 2023 from Rs. 4,619 million as at 31st March 2022. The decrease in net current assets is primarily due to a 63% increase in short-term borrowings, which accounts for 61% of the total current liabilities. The consolidated statement of cash flows on page 130 provides a total picture of the changes in liquidity.

The average cash conversion cycle for the Group stood at 165 days for the year 2022/23 (2021/22: 103 days). The increase in cash cycle is mainly due to settlement of trade payables during the year. The Group continues to closely monitor inventory management including slow moving inventory, debtors collection and to continuously negotiate payment terms with suppliers to improve its cash cycle. The cash conversion cycle is funded through short-term borrowings. The unutilised banking facilities as at 31st March 2023 amounted to Rs. 9,844 million. (As at 31st March 2022 : Rs. 6,190 million)

Cash Flow

The group treasury closely monitors and adopts prudent measures to manage its cash flows ensuring the effective use of available funds.

As at 31st March 2023, Group's cash and cash equivalents stood at Rs. 2,568 million (in 2021/22 – Rs. 3,653) which comprised of cash, bank balances and short-term investments with a maturity of 03 months or less, net of outstanding bank overdrafts.

Net cash flow from operating activities reflected an outflow of Rs.3,795 million, owing to decrease in trade and other payables during the year. (2021/22: Rs. 340 million)

Net cash flow from investing activities reflected an outflow of Rs. 1,756 million due to investments made in subsidiary acquisitions, capital investments and software developments. (2021/22: Rs. 1,237 million)

Net cash flow from financing activities reflected an inflow of Rs. 3,839 million mainly due to the increase in short term borrowing. (2021/22: Rs. 4,114 million)

Capital Structure and Leverage

The Group's capital structure comprises of equity of Rs. 15,353 million and a total debt of Rs. 13,730 million, leading to a increase in the gearing ratio from 58% to 89% as at 31st March 2023. (As at 31st March 2022: Rs. 15,466 million equity and Rs. 8,952 million debt) Every effort is made to ensure that the Group maintains a sound capital structure that enables cost-effective funding for new investments and acquisitions.

Shareholder value creation through financial capital is discussed on page 72 to 76 in the 'Investor Relation' section of the Annual Report.

Capitals impacted

MC IC ▲ | FC ▼

CAPITAL REPORTS

MANUFACTURED CAPITAL

Inventory and the Property, Plant and Equipment including rented and leased premises across the island, excluding land.

Quantity & quality of capitals

31
Total number of DIMO owned buildings
(2021/22 – 31)

Rs. **349** million
Total investment on solar power generation internally

Rs. **70** million
Assets disposal during the year
(2021/22 – Rs. 114 million)

Rs. **280** million
Overseas Asset Base
(2021/22 – Rs. 124 million)

Rs. **820** million
Increase in Total Assets
(2021/22 – Rs. 515 million)

823,359 Sq.ft.
Total area of our own buildings
(2021/22 – 823,359 Sq.ft..)

Our presence in 39 locations

Scan this QR Code to view
our network across Sri Lanka

Availability of capital in the short, medium, and long-term

Rationalization of manufactured assets deployed in vehicle sales business

DIMO customer touch points across the island are owned mainly by the vehicle sales and aftersales services segments. In light of the business and industry information given under Business Reports (page 30 - 41), it may be required to rationalize manufactured assets deployed in the vehicle sales business in the short term, until vehicle imports are permitted. However, the medium to long-term strategy governing asset deployment in vehicle sales will depend on Government policy with regard to the type of vehicles that will be allowed or encouraged.

Table 20: Risks & response relating to Manufactured Capital

Risks	Response
Risks of excess building space and other manufactured assets deployed in vehicle sales business.	Sharing of space to meet requirements arising from business and product diversification. i.e vehicles assembly, water pumps and healthcare solutions
Risk of theft and destruction via man-made or natural disasters such as burglary, fire or floods	Safeguarding through property insurance.

The Mercedes-Benz Centre of Excellence – DIMO 800

DIMO 800, our technologically advanced automobile workshop facility located at No: 800, Sirimavo Bandaranaike Mawatha, Colombo 14, was established in 2014. The facility operates a state-of-the-art Mercedes-Benz workshop with a 100 work-bay capacity including seven vehicle paint preparation booths. Adding value to the complex are a fully-fledged auditorium with acoustic walls, a car park with a capacity for 123 vehicles. The premises with an extent of 3 acres was dedicated to Mercedes-Benz vehicles and aftersales business at the inception. However, as economic conditions turned unfavourable, a strategic decision was made to share office space with other businesses.

Manufacturing & warehousing facilities

DIMO's diversified operations currently own manufacturing facilities for DIMO initium construction chemical manufacturing, an Agri fertiliser value adding plant in Sapugaskanda, a Coconut oil production plant in Minuwangoda and the Tropical Health Food manufacturing plant in Kurunegala.

The DIMO Weliweriya logistics centre houses a centralized warehouse and storage facility spanning 170,000 square feet and 20,000 square feet of office space . The centre also houses the assembly plants for TATA Ace vehicles, power panel building and water pumps. The DATS (DIMO Academy of Technical Skills) training school for automobile engineering as well as plant engineering for sanitary, heating and air conditioning also operate from these premises. This 15-acre property also houses a workshop for Agri machinery.

This premises was awarded the silver award at the Presidential Environment Award for 2022, which was the topmost award in the automobile sector in 2022.

R&D facilities

The company's largest research and development facilities are located in Lenadora, Lindula and Nikeweratiya. The premises are utilized as Techno Parks carrying out research and demonstrations. The three premises are maintained by the Agriculture Segment and collectively hold 54 acres of land.

Investments in solar power generation

The group invested Rs. 348 million on roof - top solar power with an installation capacity of 1,744kW. The individual roof top solar power installations at DIMO 800, Weliweriya Logistics Centre and Siyambalape Workshop have capacities of 700kW, 807kW and 237kW respectively. The solar power plant at the Weliweriya premises is the Group's largest renewable energy facility. DIMO800, the power generating rooftop solar plant and the photovoltaic diesel generator were critical to the continued operations of the Group during the interruptions to the Ceylon Electricity Board supply. The ground mounted solar power generation site at Embilipitiya has an installation capacity of 1000kW.

Capitals impacted

MC NC IC ▲ | FC ▼

CAPITAL REPORTS

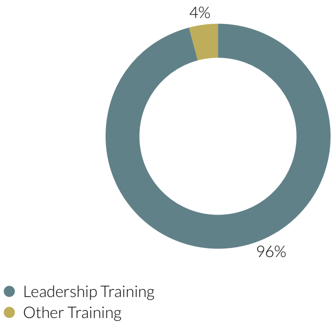
HUMAN CAPITAL

Our people, culture, values, and abilities form the foundation of who we are.

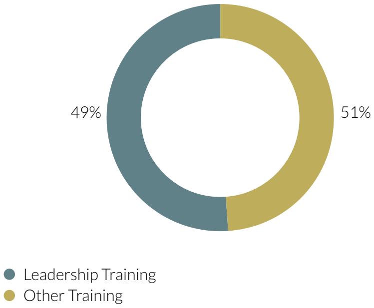
Please read more on HR strategy on page 21-22 and Stakeholder Engagement on page 77-80

Quantity & quality of capitals

Graph 13:
Leadership Training vs Total Training Cost 2022/2023



Graph 14:
Leadership Training vs Total Training Cost 2021/2022



Graph 15:
Gender Wise Training Participation (%)

20
No of employees internally promoted to senior vacancies
(2021/22 – 7)

Rs. 19 million
Revenue per employee
(2021/22 – Rs. 20 million)

'Race for talent' - Availability of capital in the short, medium, and long-term

The 'Race for talent' was intensified with a sharp increase in migration of talent. The high skilled talent pool in the economy and critical talent within DIMO were and are at risk, making corporates to 'think out of the box' in each case as the decision power of candidates increased. It can be anticipated that DIMO is challenged by on-boarding right talent at the right time in the short term.

Table 21: Risks & response relating to Human Capital

Risks	Response
Operational risk due to health & safety matters	Establishment of Health and safety policy certification for occupational health and safety standards
Attrition of trained & skilled staff	Create a backup pool and identify high potential employees within the next layer with short term readiness plans Intensify 'future talent career development program' for the country's newly graduated community
Reputational risk due to employee harassment and gender inequality	Implementing an anti-harassment policy and promoting diversity and inclusion

Please read more on challenges faced and our approach in page 21 - 22 under HR strategy.

Nurturing human capital

The DIMO HR philosophy places a strong emphasis on continuously reinventing and re-engineering every facet of human resource management. We drive a three-pillar centric human resource management strategy – 'ACE'.

Alignment (part of onboarding) – A psychological phenomena. We align people and processes to function seamlessly within DIMO. Orientation programs and the HR Business partners appointed under selected businesses ensure fast-track integration between people and processes.

Capability building (Part of employee retention) – We strive towards filling 58% of the vacancies with internal candidates and filling 42% of vacancies from outside the organisation to build capability and specific demands for expertise. This requires proper employer brand building activities, including diversity and inclusion.

Engagement (Part of transformation and engagement) – Focuses on physical and mental well-being of employees via activities that encourage them to participate. Allowing flexitime also plays a major role by supporting the staff to strike a healthy balance between work and life. Such thinking on the part of the company makes employees believe and trust that DIMO is actively supports their personal lives. Group HR also facilitates an anti-harassment helpline which is managed by and independent consultant, who receives complaints and conduct inquiries.

Employee Boarding-in

We strive to ensure alignment between our culture and the mindsets of new recruit, from the point they accept the offer of recruitment. Group HR shares all newsletters, event updates and communications on knowledge sharing with new talent even ahead of their physical presence at DIMO. The comprehensive orientation program concludes with a memorable event that includes a warm welcome to the new recruits from the Chairman. All new employees are paired with a 'DIMO buddy' from their respective department to ensure support until they are physically and emotionally ready to start their journey at DIMO. Continuous coordination of facilitates by the Group HR team during the first month ensures smooth transition in order to create the right environment for the employee to create value to DIMO from the inception. This process was predominantly followed by all new subsidiaries incorporated to the organisation in 22/23 financial year.

Employee transformation & engagement

We invest in our employee base to upgrade their abilities and expertise while facilitating a better experience for our customer base. The 'Elevate' leadership upliftment programme, 'Powerfully you' women empowerment training programme, and 'unconscious bias' awareness and transformation programme were a few of the transformation highlights during the year. Please read more about the programs in the Sustainability Agenda 2030 from page 88-95.

Employee engagement activities organized by group HR keeps the 'DIMO Tribe' standing strong, together always. From religious activities to cultural events and celebrations, we engage with employees equally even at their critical personal milestones such as weddings and births of children as well as during unfortunate events such as losing loved ones.

Table 22: Highlights of the employee engagement survey 2022/23

	Score out of 100
I know what is expected of me at work and my work objectives	92
In the last seven days, I have received recognition/praise for doing good work	78
My Supervisor, or someone at work, seems to care about me as a person	82
My superior and others encourage me to give my opinion and it seems to count	84
There is someone at work who encourages my development	82
The mission or purpose of my company makes me feel my job is important & that I contribute to the big picture	90
During the last six months, someone at work has talked to me about my progress and my opportunities to grow in the company	76
My associates or fellow employees are committed to doing quality work	86

Financial support during tough times

The high level of inflation that prevailed and the recent increase in taxation placed a heavy burden on the employee by way of increased cost of living and reduced net income. This impaired the real disposable income of the employee in a significant way. As a responsible company that recognizes our tribe members as the value creators, the company responded by helping them financially to mitigate the impact. As a means of giving our employees financial security, we developed an immediate trade-off between our financial capital and human capital.

Diversity & Inclusion

We embrace diversity and inclusion as a strategy to uplift our performance through inspiring confidence among employees. Also, by letting prospective employees know that the company respects diversity and inclusion, DIMO enlarges the pool of prospective employees. Breaking unconscious bias is the key to adopting the concept while it is nurtured through actions such as increasing the number of female participants in senior management and encouraging female profiles for mechatronics services.

Mechatronics is an interdisciplinary branch of engineering that focuses on the integration of mechanical, electrical, and electronic engineering systems. This has been a typically male-dominated area of study. DIMO's automobile training students - both male and female - are given equal opportunity to excel and explore their talents without any discrimination. DIMO now employs females in many technical job roles, including at its Mercedes Benz workshop

"I am a skilled technician working in an industry that is stereotyped as a male-dominated one. DIMO has given me an inclusive and welcoming environment to make my dreams a reality."

Ms. Thilini Gunasekera
Technician - Mercedes-Benz Workshop

Scan this QR Code to view the employee's testimonial in the How We Create Value section

Capitals impacted

HC IC ▲ | FC ▼

CAPITAL REPORTS

INTELLECTUAL CAPITAL

Our intangible assets are one of our key invisible ingredients necessary to thrive in whatever we do.

Quantity & quality of capitals

Rs. **1,534** million
Total investment in our Tier 1 ERP

12th
LMD most awarded entities ranking
(2021/22 – 30th)

31
New principals boarded-in
(2021/22 – 12)

Rs. **447** million
Total investment in Agri R&D techno parks

Rs. **4** million
Total investment on new website launch

Awards from The Institute of Certified Management Accountants of Sri Lanka, The Institute of Charted Accountants of Sri Lanka, and The Association of Charted Certified Accountants in Integrated Reporting.

'Continuous elevation' - Availability of capital in the short, medium and long-term

We strive to keep our standards high in terms of performance as well as reputation. Everyday improvements in our processes, management systems, technology & innovation, and investment capacity enhance organisational strength and value creation ability, resulting in the improvement of DIMO brand equity. Management initiatives on tacit knowledge help to pass on knowledge to new employees.

Table 23: Risks & response relating to Intellectual Capital

Risks	Response
Exposure to brand equity damage	Collaboration with a 3rd party to ascertain societal sentiments towards the DIMO brand and their views about DIMO
Risk of losing tacit knowledge	Frequent occurrence of knowledge sharing sessions at department level
Risk of cyber-attacks on websites and other digital platforms	Establishment of up-to-date cyber security system with stringent evaluation procedures and ongoing audits conducted by internal information & cyber security experts

Protection & Value Addition to Intellectual Capital

Reputation Management and Brand Governance

Corporate Brand Governance ensures that our branding is consistent and compliant, and that best practices are followed to build stakeholder trust and to enhance their overall experiences. The ability to respond immediately to client feedback adds a protective layer to the security of our brand.

Our Reputation Management framework involves 3 key steps:

Appointing the right people → **Establishing the systems and procedures** → **Education and empowerment**

At DIMO, we manage reputation and brand governance using a four-tiered architecture. Every communication, irrespective of type or medium, ultimately flows through the Corporate Communications Division, which is the single window for all group communications approvals.

Figure 12: Approvals matrix for Group communications

Tier 4	Approvals from Chairman and/or Group CEO subject to materiality
Tier 3	Approvals from Corporate Communications (Depending on the nature and the sensitivity of the communications)
Tier 2	Approvals from the Chief Marketing Officer
Tier 1	Approvals from the Head of Marketing

This process allows us a stringent screening process to ensure that communications that may indirectly harm our reputation do not take place. The systems are in place to ensure that all 4-tiers have a smooth functionality and compatibility so that even the highest-level communications are approved within six hours.

All communications meant for the public are checked against

- Compliance with legal directives & regulations
- Corporate Guidelines and Ethics
- Foreign Principal Guidelines if any

ICT transformation at DIMO – Project Genesis

To strengthen its competitiveness, DIMO is in the process of embarking on an essential digital transformation in line with its corporate strategy. This intends to increase DIMO's potential to create value by streamlining procedures, optimizing the utilization of resources, and leveraging synergies across different business verticals in the future.

The anticipated outcomes of the project

- Real time cash management, in-depth business planning, efficient and effective working capital management, tracking maintenance of manufactured assets
- Real time performance evaluations allowing efficient and effective resource allocation
- Customer 360 degree view, enhanced customer connectivity, data analytics leading to better customer insights and customisation, customer loyalty management
- Centralised shared services improving efficiency and effectiveness of processes, automation of processes, standardisation of processes, adopting world class best practices
- Real time data analytics
- Enhanced procurement and optimised inventory levels through demand planning, cost optimisation along the supply chain

Accredited Management Systems

Management systems provide the mechanism to implement processes, procedures and systems and run them in an effective manner. Such systems, when effectively run, provide the organisation with a knowledge base irrespective of turnover of employees. Management systems will enable the seamless transition of work from one employee to another. Therefore, our management systems, which have the following accreditations, are part of the intellectual capital of the DIMO group.

- ISO 9001:2015 Quality Management System valid till 25th Oct 2025
- ISO 14001:2015 Environment Management System valid till 25th Oct 2025
- ISO 45001:2018 Occupational Health and Safety System valid till 15th June 2025

Certifications

The following certifications obtained also strengthen our processes, as robust documented processes have to be placed in order to meet these standards.

Tropical Health Food (Private) Limited Certifications

- ISO 22000:2018 Food Safety Management System valid till 11th January 2026
- Sedex (Supplier ethical data exchange) certification
- Koshar certification
- Organic certification

Capitals impacted

IC SC ▲ | FC ▼

CAPITAL REPORTS

SOCIAL & RELATIONSHIP CAPITAL

Customers, Suppliers and Community are the exclusive parties covered under this capital, who are also beneficiaries of our value creation process.

Quantity & quality of capitals

545,959
Our customer base
(2021/22 – 537,271)

116
Total no of principals we are engaged with
(2021/22 – 94)

24/7
Roadside assistance

Rs. **70** million
Total investment in Customer Experience – CX project

Rs. **17** million
Voluntary investments in social progress
(2021/22 – Rs. 24 million)

'The Perfect Partner' - Availability of capital in the short, medium and long-term

Relationship capital is one the key capitals that should be actively preserved and enhanced as its involves the human side of a business; its weakening will in turn weaken the prospects of DIMO. Managing relationships during ups and downs in a business is, therefore, important and any cost incurred for this is treated as an investment. A case in point is that we continued our relationship management more intensively than short term business needs dictate at a time when vehicle imports are not allowed, as DIMO understands the value of this capital. This thinking is applicable to relationships on both the supplier and customer sides. On the other hand, preserving this capital in the medium and long-term is part of the Collaboration strategy and DIMO is well on track to take this capital from strength to strength. Please read more on our interactions with our customers and suppliers in the Business Reports from page 30 – 41 and the Sustainability Agenda 2030 from page 88 to 95.

Table 24: Risks & response relating to Social & relationship Capital

Risks	Response
Risk of affecting the relationship with certain established suppliers	Relationship management with existing partners from strategic to operational levels, making sure that value is delivered to them. We will also seek to establish relationships with best in class business partners through our diversification strategy.
Risk of losing loyal customers	To further improve customer experience management and customer relationship management to a level that this risk will be further reduced. Improve customer value proposition through the differentiation strategy.
Risk of negative relationships with the community	Continuous engagement with the societal stakeholders to identify their issues and address them promptly. Include them in strategy and plans so that these concerns will not arise and perhaps make it an opportunity and increase the societal goodwill and reputation by providing them assurances regarding their concerns

Nurturing our Social & relationship capital

Customers

The DIMO value chain pivots on the ultimate delivery of value to our customers, and we recognize that the calibre and quality of our customer relationships will have a major impact on our capacity to continue generating financial value in the future. Our investments in forming lasting relationships that are enjoyable, transformative, and mutually beneficial are key to our attempts to increase customer value.

Customer Experience – CX project

Our biggest investment towards raising customer capital is the CX execution. The two main objectives of adopting the customer experience culture is inducing the customer to purchase (Buy) and instigating loyalty (Own). The infinity model depicted below is being designed for DIMO to enable blueprints on HR processes such as cultural change management and streamlining processes. The project is currently in the first phase and is expected to conclude with the completion of ERP revamp project.

Phases of the project are as follows;

1. CX journey optimization
2. Customization & personalization
3. Convenience
4. Predictive analysis and segmentation

Figure 13: Infinity model

Suppliers

Relationships of Lasting Value

For over 84 years, DIMO has built relationships with some of the world's best brands. In order to provide a distinctive value proposition to our customers, we look for solid and long-lasting connections with our business partners. Our relationships with our business partners have been shaped by three important aspects:

Trust **Transparency** **Longevity**

Supplier Evaluation

It is essential that we find the strategic fit when we commence a relationship with a supplier. In addition to a mutual financial benefit, it is necessary that there is congruence in our business philosophy. The relationship has to pass the test of responsible value creation. We seek partners who are leaders in their business domain; who are able to provide the ingredients that enable us to deliver value at least up to the expectations of our customers; and who share the same views as us when it comes to sustainable development.

Foreign Principal Expectations

The expectations of foreign principals are ascertained at the beginning of a relationship and then periodically reviewed as the relationship grows. Performance reviews take place regularly and the fit between expectations and performance are constantly assessed.

Local Suppliers

Local value addition is something that we uphold, as it makes a positive impact on the country's economy. Similar to our partnerships with foreign principals, we seek enduring long-term relationships with local business partners too. Here too we seek partners who share our commitment to doing business responsibly. We also endeavour to obtain their commitment to our Supplier Code.

Rs. **8,700** million

Payments to local suppliers

(2021/22 – Rs. 13,000 million)

Community

Investments in community capital in return enhance our brand equity, the quality of prospective employment candidates, the number of prospective customers and local business partners. Accordingly, nurturing community capital in the short-term will provide us with long-term benefits in the form of the above-mentioned other capitals. Under this concept, we do not draw any borders to define our community; rather, society at large is our community capital as we operate across the island. Please read more on what we give in return to the community in the Business Reports from page 30 - 41 and Sustainability Agenda 2030 from page 88 - 95.

Capitals impacted

IC SC ▲ | FC ▼

CAPITAL REPORTS

NATURAL CAPITAL

Our direct use of and impact on natural resources, including energy, water, and climate, as well as our influence through our commercial endeavours.

Quantity & quality of capitals

85 Acres
Our owned land area
(2021/22 – 85 Acres)

50,964 m^3
Total water consumption
(2021/22 – 98,106 m^3)

42,883 GJ
Total non-renewable energy consumption
(2021/22 – 57,109 GJ)

Water and land, which are drawn directly from the environment, are natural capital inputs into our activities. Sources of inputs for electricity, diesel and petrol, however, are non-renewable natural resources. Due to the limited availability of these resources, we must be responsible in ensuring their effective and efficient use as well as their preservation for future use. DIMO's Environmental Management System ingrains the good management of natural capital in daily operations.

Water – Recycle & Reuse

As a measure of reducing ground water consumption, DIMO has invested in treating waste water, filter it through a carbon and sand process and make it available for reuse in operational activities.

Substitutes for electricity sourcing

With the intention of reducing the usage of coal and fuel in generating electricity, DIMO has invested in Solar power plants carrying a capacity of 2,744kW, which contribute to generating electricity.

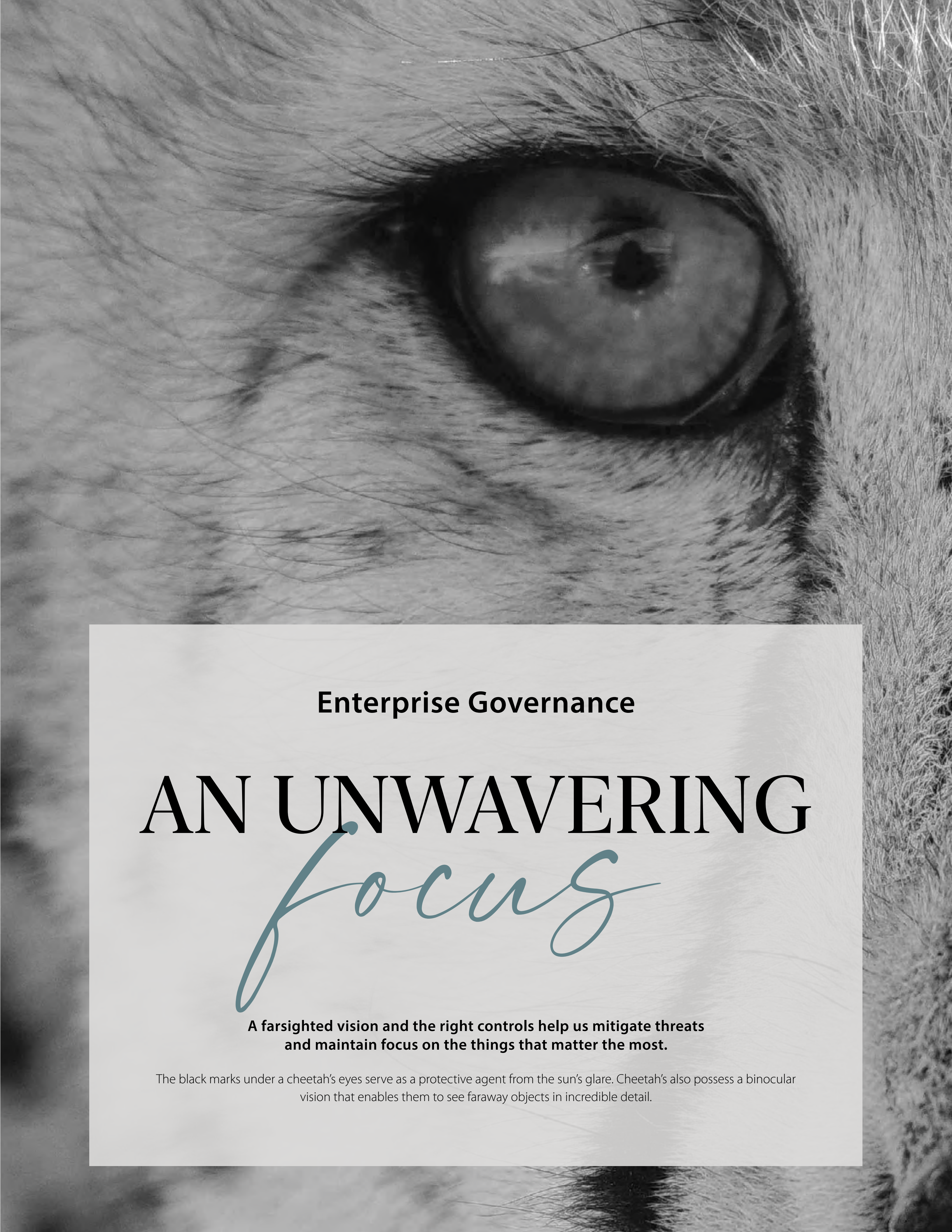
Land restoration

DIMO mainly utilizes land for agricultural purposes. As a responsible corporate citizen, DIMO introduced limus treated urea to minimize the negative impact of fertiliser on soil. Further, we strive towards one-to-one land restoration through sustainability projects. Examples of our effort towards this are the participation in the reforestation of Kannelliya and the Mangrove project.

Since the environment is an important element of DIMO’s sustainability strategy, more disclosures about this capital are provided under the section of 'Statement of ESG performance' presented from page 96.

Capitals impacted

NC ▲ | FC ▼



Enterprise Governance

AN UNWAVERING *focus*

A farsighted vision and the right controls help us mitigate threats and maintain focus on the things that matter the most.

The black marks under a cheetah's eyes serve as a protective agent from the sun's glare. Cheetah's also possess a binocular vision that enables them to see faraway objects in incredible detail.

CORPORATE *governance*

Governance attracts attention at all levels of DIMO for manifold reasons. The values and beliefs system across the Group strongly dictates that DIMO should benefit from a robust conformance and performance governance system that creates value for stakeholders.

"The robustness of the Governance System is an ideal dipstick to test the health of an organisation."

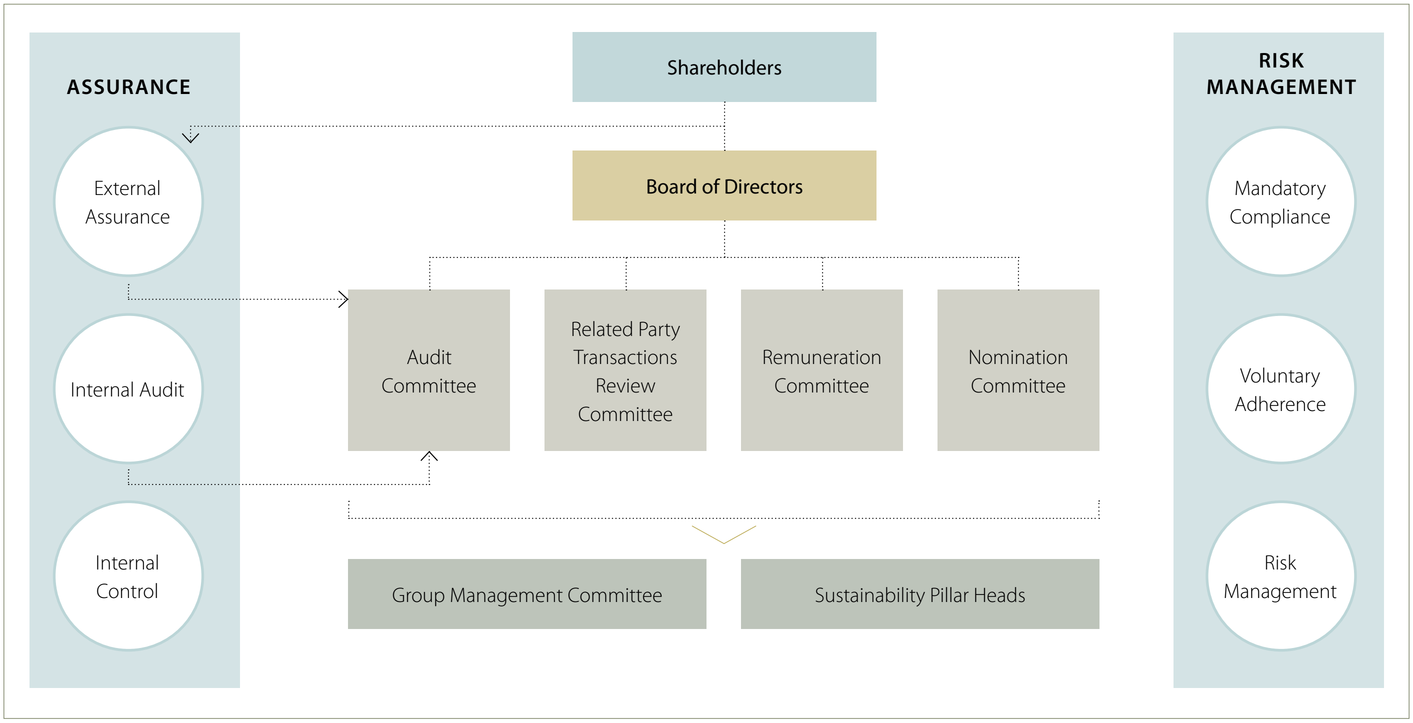
Ranjith Pandithage
Chairman/Managing Director

The demand for a strong governance system comes from many angles and includes the stewardship role of the Board, responsibility, transparency, compliance, control, environment social governance, strategy formulation, performance management and risk management, and are considered as aspects that will ultimately add value to shareholders and other stakeholders.

The Board is committed to a transparent and effective governance system that provides stakeholders with a high degree of confidence that the Group is being managed effectively. In order to ensure that the Governance process yields the desired outcomes, the following governance structure has been installed by the Board, although some of them are regulatory and legal requirements as well.

Figure 14: The Governance Structure of DIMO

A well-defined governance structure as shown below is in place within the Company.



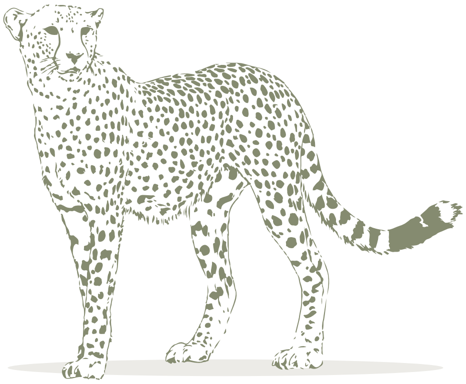
The Board of Directors is responsible for the formulation of strategy whilst the Group Management Committee and Sustainability Pillar Heads are tasked with the execution of strategy. A Board Committee is headed by a member of the Board. The Management Committees are expected to achieve the Group's strategic priorities, creating value for the organisation and the stakeholders in the short, medium, and long-term. The Group Management Committee (GMC) and Sustainability Pillar Heads, collectively known as Management Committees, are also responsible for the effective and efficient management of risks and the IT environment. The GMC as the core executive leadership team, is responsible for forming a conducive culture for effective governance.

The Risk Management structure makes the Group follow laws, regulations, and best practices whilst assurance measures provide comfort to the Board on the financial statements, internal controls, and compliance.

The governance structure provides for setting the tone at the top through clear communication between the Board and the Management, thereby minimizing the potential for corruption and creating room for diversity.

Board Skills

The Directors possess a wide array of skills, knowledge, and expertise essential to driving the business to achieve its strategic objectives and create value. The following graph depicts the inventory of skills and expertise of the Board.



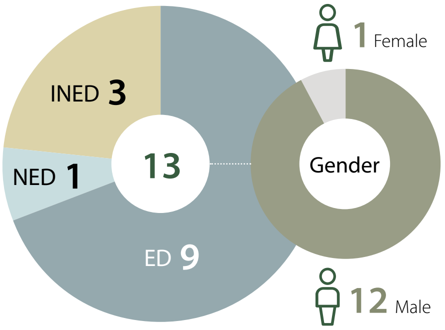
Corporate Leadership	●●●	3
Finance	●●●	3
Engineering	●●●	3
Information Technology	●●	2
Law	●●	2
Sales & Marketing	●●	2
Human Resources Development	●	1
Automotive Management	●	1
Logistic & Transport	●	1
Assurance	●	1

The Board avails itself of the services of three qualified accountants who provide financial acumen and knowledge relating to matters of finance.

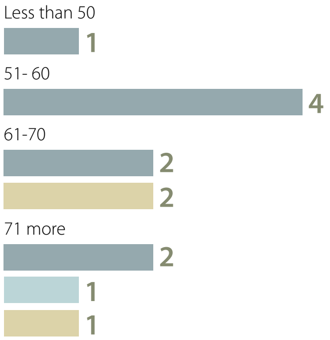
Board Composition and Diversity

The Composition of the Board is governed by the Company Articles and the Listing Rules of the Colombo Stock Exchange.

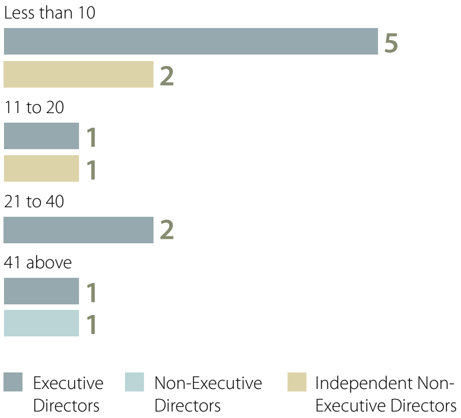
Graph 16: Board Composition



Graph 17: Age of the Board Members (Years)



Graph 18: Tenure of the Board Members (Years)



In determining the optimum composition of the Board and in filling vacancies, the Nominations Committee considers diversity in terms of the skills, experience, and knowledge the prospective member brings into the Board.

The Board fosters critical and balanced discussion encouraging the members to raise their different perspectives on matters considered at the Board.

Board changes during 2022/23

Appointments to the Board

During the year, the following two Directors were appointed to the Board on 30th May 2022.

1. C.R. Pandithage as an Executive Director
2. D.N.K. Kurukulasuriya as an Executive Director

These appointments enhance diversity on the Board in terms of age and gender.

Re-elections

The Articles of Association of the Company requires one third of Directors to retire from office and be eligible for re-election. In terms of this provision, the following Directors retired and were re-elected to the Board by the shareholders at the 77th Annual General Meeting (AGM).

- A.D.B. Talwatte
- B.C.A.S.P. Gooneratne
- P.K.W. Mahendra
- S.R.W.M.C. Ranawana

In addition, two new Executive Director appointments were also approved by shareholders at the 77th Annual General Meeting (AGM).

Further, A.R Pandithage, A.M. Pandithage, J.M. De Silva and S.C. Algama who are over the age of 70 years and who vacate the office in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act) were re-elected at the 77th Annual General Meeting.

CORPORATE GOVERNANCE REPORT

Figure 15: Independence Assessment Process

Submission of Declaration by each Non-Executive Director	Assessment by the Board	Board Conclusion
• Each Non-Executive Director submits a signed independence declaration annually. • Criteria for the above declaration is set out by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).	• At the Board Meeting, Board assesses each individual declaration against independence criteria to decide the independence status of each Non-Executive Director.	• Board concluded that three out of four Non-Executive Directors are independent. • Dr. H. Cabral, whose tenure as Director has exceeded nine years, continues to be considered an Independent Director. An explanation as prescribed in Rule No. 7.10.3 of the listing rules of the Colombo Stock Exchange is provided on page 114 in the Annual Report of the Board of Directors.

Chairman in an Executive Capacity

The Chairman A.R. Pandithage, who is designated Chairman/ Managing Director, plays an executive role in the Group and thereby holds the highest executive position. The Board is of the belief that the Chairman acting in an executive capacity has been economically beneficial to shareholders, and that the dual role of Executive Chairman does not compromise the principles of corporate governance. This is further ensured by the presence of the Independent Non-Executive Directors, including the Senior Independent Director.

Senior Independent Director

A. D. B. Talwatte functioned as the Senior Independent Director (SID) of the company during the Financial Year. The presence of the Senior Independent Director provides an effective mechanism to review the effectiveness of the Board in view of the executive role played by the Chairman.

Statement of SID available on page 69.

Key Responsibilities of the Board

The Board holds the prime responsibility to provide strategic direction to the Group in order to deliver optimum value to the shareholders and other stakeholders. The Board sets the strategic objectives and policy framework for the Group results are monitored concurrently.

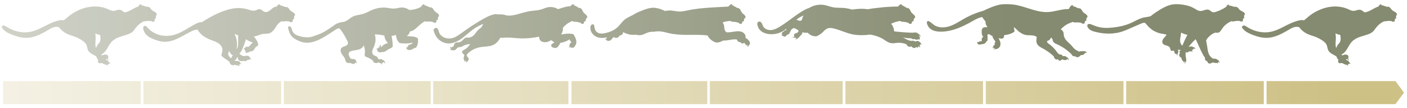
The Statement of Directors' Responsibilities issued by the Board is available on page 120.

Table 25: Director's responsibilities

Key responsibilities of the Board defined in the Board Charter	How Board has discharged responsibilities
• Formulating and implementing the corporate strategy for value creation in the short, medium and long-term. • Approving budgets, major investments and ensuring adequacy of resources. • Providing proper financial oversight and adopting appropriate accounting policies. • Ensuring compliance with rules, regulations, and internal policies of the group. • Monitoring systems and procedures, especially with regard to internal controls and risk management. • Making decisions on Board appointments and evaluating board performance including the performance of the Executive Chairman and the CEO. • Building and improving stakeholder relationships and promoting the role to be played by the company towards sustainability.	• Held budget meetings with management to set strategic priorities of the Group. Periodically, evaluated desired outcomes against the actual outcomes. • Increased focus on diversified businesses and revamped product portfolio with sustainable solutions. • Monitored performance of the Group's operations through monthly, quarterly and annual financial reviews by having one-on-one meetings with business unit heads. • Obtained independent auditors' services and implement recommendations made by the auditors. • Monitored implementation of the improvement recommendations identified during board evaluation. • Continued review and introduction of new systems, policies, processes into the group governance structures. • Monitored the implementation of robust corporate social responsibility programs and the implementation of ESG strategy with an emphasis on value creation. • Interacted with stakeholders through different communication channels such as events, forums, surveys, assessments, feedbacks, ratings and etc.

Board Oversight

Figure 16: Key areas of Board oversight relate to among others

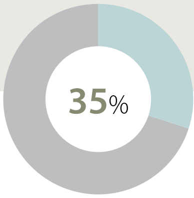


- Steering and setting strategic direction
- Risk and opportunity identification
- Organisational culture
- Major capex and large-value transactions
- Attraction of and retention of human capital
- Succession planning
- Risk and compliance
- Integrity of financial controls
- Stakeholder management including reporting
- ESG integration

Figure 17: Key focus areas of the Board and the time spent by the Board (%)

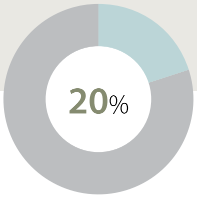
STRATEGY

- Direct, review and approve Corporate Strategy
- Review ESG Risks and opportunities
- Strategically secure capitals to ensure value creation
- Budget and business plan for 2023/24
- Business expansions and acquisitions
- Capital investment and projects
- Resource allocation
- Return on investment
- Social Investment



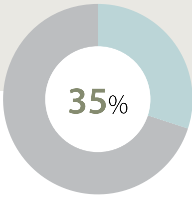
RISK AND COMPLIANCE

- Determine risk apatite
- Assess strategic, ESG and operational risks
- Review risk management outcomes
- Internal Audit Plan for 2023/24
- Internal and External audit findings
- Compliance issues and adherence
- Maintenance of accredited management systems
- Remuneration to auditors
- Statutory payments
- Regulatory filings with Colombo Stock Exchange, Registrar of Companies and Tax authorities



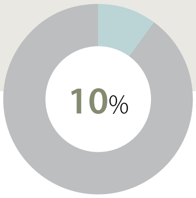
PERFORMANCE

- Group's financial performance
- Sector performance
- ESG performance
- Interim & annual financial statements
- Accounting policies & changes
- New business performance
- New product performance
- Asset valuation assessments
- Corporate finance & treasury management
- Business partner relationship management



GOVERNANCE

- Role of Directors
- Terms of reference for Board committees
- Board evaluation
- Directors skills and trainings
- Board appointments
- Governance of subsidiaries
- Related party transactions
- IT governance



CORPORATE GOVERNANCE REPORT

Table 26: Focus Areas and Value Creation

Capital	**Value created by key focus area**			
	Strategy	**Risk & Compliance**	**Performance**	**Governance**
Financial	Rs. 13,128 million of turnover generated from new businesses introduced during the past six years. A profit before tax for the year from acquisitions during the past five years. Corporate plan for aggressive growth	Compliance Management Systems for Quality, Environment and Health and Safety Continuous improvement through internal audit Timely statutory payments and declarations Compliance with statutory and regulatory provisions Voluntary adherence to best practices	Identified ways to improve profitability of the new products and businesses Regular meetings with management to review and monitor performance of key businesses Review of ESG performance EPS of Rs. 62.73 (2021/22: Rs. 76.06)	Ensure transparency and integrity in financial reporting Balanced and skilful corporate leadership to ensure investor trust and confidence Board evaluations to assess whether board has fulfilled the financial interests of the investors
Manufactured	Plan, review, and monitor investments in infrastructure and PP&E Review asset utilisation via Asset Turnover Ratio and seek continuous improvement	Review of impairment to ensure any financial losses are accounted for Ensure adequate steps such as insurance are taken to cover risk exposure	Healthy return on assets Maintenance of optimum market value of assets Acquisition of value adding assets through prior evaluation	Securing of group assets Review progress of capital work in progress Legal compliance relating to acquisition and maintenance of real estate and other PP&E
Human	Recognised as a Great Place To Work 'Legend' Strong emphasis on matters relating to diversity and inclusion 223 employment opportunities (2021/22: 350) Rs. 47 million incurred for employee and leadership training (2021/22: Rs. 11 million)	Availability of accredited health and safety management systems Adherence to all labour laws Institutionalised program for employee retention and succession Emphasis on anti-harassment	Performance based reward system for employees Employee development programs Employee satisfaction rate of 89% (2021/22: 92%) Employee engagement score of 4.21 out of 5 (2021/22: 4.20)	Independent determination of Director's remuneration by a Board Committee Succession plan for the senior management Established Code of Business Conducts and Ethics for all employees

Capital	Value created by key focus area			
	Strategy	Risk & Compliance	Performance	Governance
Social and Relationship	Partner with diversified businesses through acquisition (Collaboration) Introduce sustainable products to the market in collaboration with business partners (Collaboration and Diversification) Represent best in class business partners to bring innovations and state of the art technology into Sri Lanka (Collaboration) Focus on customer experience management	Quality management system that addresses customer feedback Ethical and compliant business conduct Tax payments amounting to Rs. 1,129 million during the year (2021/22: Rs. 4,427 million)	Making a difference through partnerships and corporate Social investment activities Launched 3 new sustainability friendly products during the year (2021/22: 2)	Review of related party transactions Ethical marketing and communications Strict adherence to compliance requirements of business partners
Intellectual	Investment in innovations for future businesses Investment in a tier 1 ERP with a full complement of modules to take the organisation to the future	Special efforts to retain tacit knowledge Document systems and procedures through management systems Reputation management through corporate branding and management of ESG risks	High brand equity of DIMO as evident in being chosen as one of the 'Most Respected Companies' in Sri Lanka Investment of Rs. 286 million on the implementation of the new ERP	Emphasis on IT security Governance of corporate identity Registration of trademarks Code of conduct for employees to manage the reputation risk
Natural	Investment in environmental preservation Environmental restoration Zero tolerance policy on environmental degradation Seizing opportunities in matters relating to ESG such as renewable energy Improve transparency on environmental factors	Reduction in carbon footprint and environmental pollution Accredited environmental management system to prevent breaches in environmental preservation	Rs. 17 million (2021/22: Rs. 24 million) invested in environmental preservation Our commitment towards 1:1 restoration on biodiversity conservation Award winning sustainability reporting Execution of many environmental preservation projects as detailed in the Sustainability Agenda 2030 on page 88 to 95	Accredited Environmental Management System Signatory to the United Nation Global Compact Commitment to contribute towards achievement of UN Sustainable Development Goals (SDGs) Improve transparency through best practices in sustainability reporting

CORPORATE GOVERNANCE REPORT

Board Meetings

The Board meets on a quarterly basis, and as and when required for a specific purpose. The meeting dates are scheduled in advance. The Board also conducts discussions on specific subjects relevant to the business such as budgets. Board meetings are characterized by the free exchange of views by the Directors bringing their experience and independent judgement to bear upon the issues and decisions at hand. Non-executive Directors conduct discussions without the Executive Directors, so that they can discuss issues appropriate to such a forum. Senior executives such as Group Management Committee members may be invited to participate in a Board meeting to discuss a particular subject, where considered appropriate.

Role of the Chairman at Board Meetings

- Ensure that the Board addresses the matters that are of strategic and material importance to the future growth and success of the Company.
- Ensure that adequate time is available for discussion of all agenda items.
- Ensure that each person is given the opportunity and time to express their views.

Role of the Group CEO at Board Meetings

- Provide a review of the business and how it is performing.
- To answer questions from the members of the Board relating to performance.
- To advise the Board about developments in the external environment.
- To inform the Board about the risks and opportunities prevailing in the market.

Role of the CFO at Board Meetings

- Provide an overview of the Group's financial position & performance during the quarter.
- To evaluate and present outcomes against the budget, to the Board.
- To inform changes in financial markets, financial risks and mitigation strategies followed by the company.

Role of Company Secretary at Board Meetings

The Company Secretary plays a pivotal role in arranging board meetings and deliberations. The Company Secretary will make sure all Directors have full and timely access to relevant information ahead of each meeting.

Prior to Board meetings:

Liaise with Directors and management to prepare the agenda for the Board meeting. The agenda and all board papers are circulated electronically to Board members prior to each meeting. When required, specific reports and schedules are also circulated together with Board papers. Ensures that previous meeting minutes are also circulated among the Board members. Board members can easily access the Company Secretary regarding any clarification.

During the meetings:

Minutes of discussions and decisions made at the meeting are recorded in an appropriate manner in the Board minutes.

After Board meeting:

Board meeting minutes are prepared and circulated to the Board prior to the next meeting.

Meeting Attendance

07

Meetings held during 22/23
(08 - 21/22)

All Directors actively participate in Board meetings as and when scheduled. As the responsibility demands, the Board always dedicates adequate time and effort to discuss matters of the Board and the Group, to ensure that the duties and responsibilities owed to the Group are satisfactorily discharged.

Table 27: Details of Directors' attendance at Board Meetings.

Board Member	Overall Attendance
A.R. Pandithage	07/07
A.G. Pandithage	07/07
S.C. Algama	07/07
M.V. Bandara	06/07
Dr. H. Cabral	07/07
B.C.A.S.P. Gooneratne	07/07
P.K.W. Mahendra	07/07
A.M. Pandithage	07/07
S.R.W.M.C. Ranawana	07/07
J.M. De Silva	06/07
A.D.B. Talwatte	07/07
C.R. Pandithage	05/06*
D.N.K. Kurukulasuriya	06/06*

*D.N.K. Kurukulasuriya and C.R. Pandithage were appointed to the Board on 30th May 2022 hence participated for Board meetings held since 30th May 2022.

Board Committees

Board Committees consist of the Audit Committee, Related Party Transaction Review Committee, Remuneration Committee and the Nomination Committee.

Table 28: Board committees and strategic priorities

Board Committee	Primary focus	Primary focus in terms of Strategic Priorities
Audit Committee	Group's financial reporting and internal control systems, compliance with legal and regulatory requirements, risk management practices, tax governance, external and internal audit	Integrity of financial reporting system and audit function
Related Party Transaction Review Committee	Transactions with related parties as defined by LKAS 24 and Listing Rules of the Colombo Stock Exchange.	Integrity of transactions
Remuneration Committee	Remuneration policy and remuneration packages of the Chairman/ Managing Director, Chief Executive Officer (CEO) and the Executive Directors. Remuneration of the members of the Group Management Committee.	Performance management, pay for performance, retention, achievement of corporate objectives
Nomination Committee	Structure and composition of the Board, new appointments to the Board, collective knowledge, expertise, skills and experience of the Board	Appropriate Board composition, Board competence, succession

Each committee is chaired by an Independent Non-Executive Director. The Committee's composition met the requirements of the rule Section 7.10.5 (a), 7.10.6(a) and Section 9.2.2 of Listing Rules of the Colombo Stock Exchange and Code of Best Practices on Corporate Governance 2017 jointly issued by the ICASL and Securities and Exchange Commission.

The Group Chief Financial Officer serves as the Secretary to the Audit Committee, Related Party Transaction Review Committee and Nomination Committee. The Group Chief Executive Officer serves as the Secretary to the Remuneration Committee

The reports of the Audit Committee, Related Party Transaction Review Committee, Remuneration Committee and Nomination Committee are available on pages 70 - 71.

Terms of Reference

Each Committee is governed by Terms of References (TOR) approved by the Board, setting out its objectives, responsibilities, structures, and operations. The Committees' TOR were last reviewed and approved by the Board on 30th May 2022. The revised TORs improve the Committee contribution to the oversight function of the Board and helps avoid synergies between the committees.

Composition of Board Committees & Attendance at Board Committee Meetings

The composition of the respective Board Committees and attendance by each member at committee meetings held during the financial year are as below.

Table 29: Committee composition and attendance

Name of the Director	Position	Audit Committee		Related Party Transaction Review Committee		Remuneration Committee		Nomination Committee	
		Membership	Meeting Attendance	Membership	Meeting Attendance	Membership	Meeting Attendance	Membership	Meeting Attendance
A.D.B. Talwatte	Independent Non-Executive Director	C	3/3	M	4/4	M	2/2	M	1/1
Dr. H.Cabral	Independent Non-Executive Director	M	3/3	M	4/4	C	1/2	C	1/1
J.M. De Silva	Independent Non-Executive Director	M	3/3	C	4/4	M	2/2	M	0/1
A.M. Pandithage	Non-Executive Director	M	3/3	M	4/4	M	2/2	M	1/1
A.R. Pandithage	Chairman/ Managing Director	-	-	-	-	-	-	M	1/1

Committee Member - M   Committee Chair - C

CORPORATE GOVERNANCE REPORT

Performance evaluation of the Board and Sub Committees

The Board recognizes that evaluating the performance of the Board and its Committees is essential to monitor effectiveness of the Board and the Board Committees. Evaluation of the Board and Board Committees is carried out on an annual basis.

Each Director independently completes a questionnaire to assess the performance of the Board, and that of its committees. The tabulated results are used to make improvements in effectiveness. The Chairman also discusses any improvements required with individual Directors and Board Committee Chairs. The evaluation result this year indicated that the Board operated effectively and performed well in the governance aspects of the Group, and that the members were satisfied with the composition and operational effectiveness of the relevant Board Committees.

Board Evaluation Measures

- Strategy implementation
- Achievement of performance objectives
- Conduct of Board's performance evaluation
- Risk management
- Board composition, skills and trainings
- Compensation philosophy
- Succession planning
- Performance of the CEO
- Compliance & latest developments in legal environment
- Communication with shareholders
- Stakeholder interest
- Internal controls
- Financial performance

Committee Evaluation Measures

- Composition of the committees
- Conduct of committee meetings
- Effectiveness of meetings held
- Delivery of information to the Board
- Execution of responsibilities

The performance of the Chairman, who plays an executive role, is appraised annually by the Non-Executive Directors. The Non- Executive Directors assess the performance of the CEO through pre identified Key Performance Indicators (KPIs) and achievement of operational budgets.

Directors' remuneration

The Board always ensures that the level of remuneration is attractive enough to motivate and retain Executive Directors. The Remuneration Committee assists the Board by suggesting and approving remuneration for Executive Directors. Information about DIMO's remuneration policy and the Remuneration Committee, including the work carried out in 2021/2022, is set out in the Remuneration Committee Report in page 71.

Directors' remuneration is disclosed on page 146.

Remuneration Linked to Value Creation

The Board bears the responsibility to ensure that the Group has a comprehensive remuneration policy through which employees are rewarded for their alignment to the Company's strategic direction. The remuneration policy of the employees, ensures;

- attracting, motivating, and retaining high calibre employees in a competitive market and recognizing their skills, experience, and contribution to the Company's values
- ensuring that our pay is competitive in the industry and matched to market rates
- being able to comply with legislative provisions and negotiated contractual commitments
- reinforcing and enhancing the principle that employees are the key stakeholders of our Company
- ensuring an appropriate and flexible benefit mix (medical aid, subscriptions, etc.) to best serve our employees' dynamic lifestyle and life-stage needs

The Group Chief Human Resource Officer is the delegated Executive Director in charge of implementing this policy.

> The Board bears the responsibility to ensure that the Group has a comprehensive remuneration policy through which employees are rewarded for their alignment to strategic direction.

Management committees

Group Management Committee (GMC)

GMC consists of Executive Directors and members of the senior management team.

GMC is responsible for the steering of the Group and its business. It assumes overall responsibility for the execution and implementation of strategies set by the Board and the achievement of performance targets.

The composition of the Group Management Committee is available on page 16.

Sustainability Pillar Heads

The Sustainability Pillar Heads consist of members of the management team including Executive Directors. It holds primary responsibility to oversee the Group's activities with regard to the identification and management of economic, social and environmental impacts, and the achievement of the Group's Sustainability Agenda 2030.

Please refer the Sustainability Agenda 2030 on page 88 to 95 for the measures taken to identify, manage and monitor risks ad opportunities relating to ESG.

Assurance

The assurances for the integrity of systems, processes, controls and financial and non-financial information are obtained internally and externally.

Table 30: Types of Assurance

TYPE ASSURANCE

Assurance on Financial Statements	Assurance on Internal Business Process, systems and controls	Assurance on Integrated Report and non- financial information	Assurance on Management Systems
Independent Audit Report provided by External Auditor - Messrs KPMG	Internal Auditors' Reports & Audit Committee assurance to the Board	Independent assurance on Integrated Reporting, Global Reporting Initiative (GRI) compliance, ESG Statement and relevant standards on Sustainability Accounting Standards Board (SASB)	Independent audit and certifications on Quality Management System, Environmental Management System, Occupational Health and Safety Management System

Internal Audit

The company has in place an independent internal audit function, through which the Board, Audit Committee and Senior Management are provided with reasonable assurance relating to internal controls and on controls governing the preparation of financial statements. The Internal Audit Division is headed by the Group Chief Internal Auditor, who is appointed by the Board. The internal audit function is carried out on a risk-based Internal Audit Plan. Internal Auditors submit their findings together with recommendations on a quarterly basis to the Audit Committee and the Board. Internal Audit Reports are made available to External Auditors, should they require them. During the year, the Audit Committee reviewed the work of the Internal Audit function and are satisfied with the performance of the Internal Audit function.

External Audit

The External Audit function of the Company is independent and monitored by the Audit Committee. The Audit Committee received written confirmation from the External Auditor of its independence and objectivity. The Audit Committee has met with the External Auditors to enquire as to whether there are any concerns relating to financial statements. A partner rotation of the auditors takes place at periodic intervals; the last such rotation took place in 2017.

Internal Control

Internal Controls are important for the Company to prevent, detect and mitigate what could go wrong arising from ongoing business operations. The Board is assisted by the Audit Committee in monitoring and evaluating the effectiveness of the internal control environment of the Group/ Company. The evaluation is carried out mainly through discussions and assessment of reports submitted by the Management Committees, Internal Auditors and External Auditors.

Refer page 121 for more details on Board of Directors' Statement on Internal Controls.

Risk Management

Effective risk management spreads beyond fulfilling regulatory requirements. In order to assess risks and opportunities and to mitigate and manage them, the Group has installed processes at different functional levels as described in the Risk Management section on pages 81- 86.

Compliance

DIMO is committed to complying with laws, regulations, industrial best practices and voluntary commitments.

The compliance and adherence aspect of the conformance framework provides the basis for conformance and identifies the rules that are to be followed by the Board, Board Committees, Management Committees and employees. As identified in the governance framework, the compliance and adherence aspects include statutes and regulations classified into the 'mandatory compliance' category and codes, best practices and management control systems classified into the 'voluntary adherence' category.

RESILIENT

We are conditioned and designed to remain resilient against harsh conditions.

CORPORATE GOVERNANCE REPORT

Table 31: Compliance

Mandatory Compliance	Voluntary Adherence
✓ Companies Act No. 07 of 2007	✓ Code of Best Practice on Corporate Governance issued by CA Sri Lanka
✓ Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995	✓ Ten Principles of the UN Global Compact
✓ Listing Rules of Colombo Stock Exchange	✓ Code of Business Conducts and Ethics of DIMO
✓ Articles of Association	✓ GRI Standards and Sustainability Accounting Standards Board
✓ Securities & Exchange Commission regulations	✓ Internal control system
✓ Other legislative enactments affecting the Company	✓ Quality management system
	✓ Environmental management system
	✓ Social Accountability Management System Occupational Health & Safety Management System

Code of Business Conduct and Ethics

At DIMO, we have institutionalized a Code of Business Conduct and Ethics (The Code), which is applicable to Directors, Management and all other employees. The orientation programme of new employees includes a training on how to be in compliance with the Code of the Group and at the point of recruitment, each employee signs a declaration to the effect that they will comply with the Code in its entirety. Non-compliance with the Code is monitored by HR department.

Conflict of Interest

Each Board member shall endeavour to avoid having his or her private interests interfere with the interests of the Company. The Directors do not participate in or vote for any board resolution in which they may have a substantial interest. Each Director submits a quarterly declaration stating his or her interest with the Company, while the same is disclosed to the Board through the Related Party Transaction Committee. All such interests are also recorded in the Interest Register of the company maintained by the Company Secretary.

Whistle-Blowing, Fraud and Non-Compliance with Laws and Regulations

Employees can raise any confidential matters pertaining to the accounting, internal controls and any Non-Compliance with Laws and Regulations (NOCLAR) to Chief Human Resources Officer, Group Chief Internal Auditor, Chief Executive Officer or the Chairman/Managing Director. The Senior Independent Director is available to any member of the Board to discuss confidential matters that concerns the Board.

Disclosures required by the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange can be viewed on pages 117 - 118.

The compliance levels with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka are available on Company's website at https://www.dimolanka.com/investor-relations/

> Enterprise Governance at DIMO is designed to navigate its operations through uncertainty to achieve long-term value and to enhance investor confidence.

IT Governance

Information Technology (IT) is a key part of DIMO's differentiation strategy. Thus, the Board is committed to the implementation of the organisational structure with well-defined roles that bear responsibility for information, business processes, applications, infrastructure, etc. which generate value for our shareholders, while mitigating the risks associated with the incorrect deployment and use of Information Technology. The digital transformation that began in 2020 is a five-year commitment undertaken by the Board to transform the Company's processes and systems to align with world class best practices. While this is expected to create substantial outcomes in the medium to long-term, in the short term the project demands a substantial trade-off of monetised capital. The Board has thus taken the initiative to ensure that the implementation is aligned with the Board's strategic direction and that it is completed on time with the desired outcomes.

Figure 18 elaborates on the governance mechanisms deployed by the Board for this important mandate. The digital transformation is expected to increase the visibility and transparency of internal processes as well.

IT risks

With the digital transformation and increased process automation, the Board is aware that IT related risks including cyber risk are probable to the Group and thus mitigation strategies must be in place.

Details of the Group's Risk Management Process is discussed on pages 81 - 86.

Our Board's support of innovation

The Board always defines and encourages innovative priorities, implements an innovation culture, allocates sufficient resources, and makes important decisions regarding innovation within the company. Thus, this will help to align IT strategy with business strategy to create medium to long-term value creation to shareholders.

Figure 18: Innovation outlook

Innovation Outlook

- Future Focus
- Operational Excellence
- Organisational effectiveness
- Sustainable development

What Innovations offers to us

- Employee efficiency
- Customer satisfaction
- Cost optimization
- Brand value
- Minimized risks
- Increased competitiveness
- Business network

Sustainability Reporting – ESG

Environmental, social and governance considerations are given top priority in DIMO's long-term business strategy and throughout its value creation process. The Board, with the support of the Sustainability Pillar Heads, continuously identifies and responds to ESG related risks and opportunities that affect DIMO's business model.

A comprehensive report on ESG factors and an ESG Performance Statement are available on pages 96 - 106.

Relations with Shareholders

Refer pages 72 - 76 for Investor Relations section of the Annual Report for more information about our interaction with Shareholders.

Scan this QR Code to view Supplementary Information – Governance Report

SENIOR INDEPENDENT DIRECTORS' statement

The 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by The Institute of Chartered Accountants of Sri Lanka recommends that a Senior Independent Director (SID) should be appointed in the event that the same person holds the offices of Chairman and Chief Executive Officer or where the Chairman is not an Independent Director. At DIMO, the Chairman plays an executive role as Chairman/Managing Director.

The presence of a SID provides a workable mechanism to review the role played by the Chairman. While the role of the Chairman entails providing leadership in observing best practices of Corporate Governance, the role of the SID calls for a review of the Board's effectiveness. The presence of the SID also provides emphasis to transparency on matters relating to governance.

DIMO is committed to the principles of good governance and always strives to live by the best practices of corporate governance. The conformance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and to have a positive impact on value creation.

As the SID, I am consulted by the Chairman on governance issues, if there are any. Further, I make myself available to any Director to have any confidential discussion on the affairs of the Company, should the need arise.

Asite Talwatte
Senior Independent Director

Colombo
05th June 2023

REPORT OF THE AUDIT COMMITTEE

The Audit Committee (AC) provides an independent oversight of the Group's financial reporting and internal control systems, internal and external audits, risk management, compliance with laws and regulations, in line with the approved Audit Committee Charter. Meetings of the Audit Committee were aligned with the key reporting and regulatory timelines.

Activities and Deliberations of the Committee in 2022/23

- Reviewed Interim Financial Statements of all four quarters and the Annual Financial Statements prior to publication. During the review, AC ensured that Financial Statements are prepared in compliance with Sri Lanka Accounting Standards and applicable regulatory requirements
- Monitored the effectiveness of the internal audit function in terms of its scope, execution of its plan, findings, independence, skills, staffing, overall performance and standing within the organisation.
- Met with the External Auditor to review their observations discovered during the audits. The AC also reviewed the independence and objectivity of the Independent External Auditors, Messrs KPMG, Chartered Accountants and recommended to the Board about the engagement of Auditor.
- Reviewed risk related management and audit reports and ensured risk mitigation processes/procedures are established and operated within the Company.
- Assessed the appropriateness of the Company's whistle blowing policy to ensure the Company's arrangement for confidentiality of information and its sources.
- Evaluated compliance with laws and regulations and timely payment of statutory obligations.

Future Focused activities

Future focus areas of the committee include, but are not limited to:

- Approval of Internal Audit Plan for 2023/24
- Improvement of Risk Mitigation strategies of the Company

The Committee has recommended to the Board that Messrs KPMG be re-appointed as the independent External Auditor and that the re-appointment be included in the agenda of the Annual General Meeting.

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of the Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Company and its subsidiaries remain solvent and are able to continue as a going concern.

Asite Talwatte
Chairman – Audit Committee

Colombo
05th June 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Related Party Transactions Review Committee (RPTRC) is tasked with providing advice to the Board in relation to transactions with the related parties as defined by LKAS 24 and Listing Rules of the Colombo Stock Exchange. The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

Proceedings of the Committee Meetings

An agenda checklist is prepared and circulated prior to each Committee meeting, which assists and enables Committee members to identify all related parties and to review all related party transactions. A summary of related party transactions that occurred during the period under review is provided to the committee ahead of the Committee meetings. A summary of the quarterly declarations provided by the Directors identifies the Directors' and their close family members' shareholding, names of the companies where they hold office, transactions with the company during the quarter.

Activities and Deliberations of the Committee in 2022/23

- Identified related parties as defined by LKAS 24 and Listing Rules of the Colombo Stock Exchange
- Reviewed all related party transactions carried out during the year and communicated observations to the Board of Directors.

During the year, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year are disclosed in Note 4.30 - 5.1 to the Financial Statements.

Declaration by the Committee

A declaration is given by the Board in the Annual Report of the Board of Directors on page 115 as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered by the Company during the financial year.

Jayantha De Silva
Chairman – Related Party Transactions Review Committee

Colombo
05th June 2023

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee considers and recommends the Company's remuneration policy and the remuneration packages of the Chairman/ Managing Director, Group Chief Executive Officer (CEO) and the Executive Directors. The Committee also approves the remuneration of the members of the Group Management Committee on recommendations made by the Chairman/ Managing Director and the Group Chief Executive Officer.

Remuneration Policy

The remuneration policy is designed to reward, motivate and retain the Company's Executive Directors and the members of the senior management team to support the continued success of the business and value creation over the short, medium and long-term.

Components of the Executive Directors' Remuneration

- Fixed Remuneration (Basic Salary and Fringe Benefits)
- Variable Remuneration
- Post-Employment Benefit

The Remuneration package awarded to Executive Directors and members of the Group Management Committee is intended to be competitive and market based, and comprises of a mix of fixed and variable return. The variable remuneration is linked to individual performance and group profitability in order to align individual's interest with Company's interest.

All Non-Executive Directors receive a fee for serving based on their time commitment and contribution to the Board and Board Committees. They do not receive any performance related incentive payments. The Company does not have an employee share option scheme for members of the Board, who are considered as Key Management Personnel (KMP). The Articles of Association does not contain a shareholding guideline for a KMP.

Activities and Deliberations of the Committee in 2022/23

The Committee covered following key areas during the meetings;

- Revisited the Remuneration Policy of the Company to align it with industry levels and its application to the Chairman/ Managing Director, Group CEO, other Executive Directors and members of the Group Management Committee.
- Considered and recommended remuneration including annual salary increases and performance incentives for personnel stated above.
- Ensured that none of the Directors are involved in deciding his/her own salary

Directors' Emoluments

The Directors' emoluments and compensations during the year 2022/23 are disclosed in Note 4.5 on page 146.

Future Focused activities

- Improve the link between performance and rewards through remuneration policy

The Committee realized that the Directors and Senior Management are remunerated fairly and receive performance-based compensation by ensuring an effective remuneration policy aligned with the Company's strategy and long-term value creation.

Dr. Harsha Cabral
Chairman – Remuneration Committee

Colombo
05th June 2023

REPORT OF THE NOMINATION COMMITTEE

The Nomination Committee (NC) reviews the structure and composition of the Board and makes recommendations to the Board on all new appointments.

Activities and Deliberations of the Committee in 2022/23 include:

- Reviewing the structure, size, composition and competencies of the Board
- Evaluating the independence of the Non-Executive Directors through independence declarations submitted by the Non- Executive Directors
- Reviewing the process of succession planning for key management personnel to ensure that the Board has the correct balance of individuals to discharge its duties effectively
- Considering and recommending the re-election of the Non-executive Director eligible for re-election in line with Company's Article of Association and applicable laws
- Ensuring that no member of the Nomination Committee is involved in deciding his own appointment
- Making any recommendations on any other matter/s referred to the Committee by the Board of Directors.

Future Focused activities

Future focus areas of the committee include, but are not limited to:

- Ensuring the Board and executive management have an adequate mix of skills, experience and attributes necessary to support Group strategy and future endeavours

The Committee is pleased to confirm that three out of four Non-Executive Directors are independent from acting in an executive capacity in the company and that the board succession plan ensures the board appoints Directors who have the requisite skills and experience.

Dr. Harsha Cabral
Chairman – Nomination Committee

Colombo
05th June 2023

Terms of reference, composition of each committees, names of the committee members and their meeting attendance are given on pages 58 - 71 of the Corporate Governance Report.

Performance evaluation of each committees are discussed in page 66 of the Corporate Governance section.

INVESTOR relations

Our investment community consists of present and prospective shareholders, comprising of individuals and institutions.

Out of the various stakeholder groups, shareholders are considered as most powerful and a key stakeholder group of the Company as they provide financial resources to the Company and have their rights and obligations defined in the Companies Act No.07 of 2007, further reinforced by SEC regulations and CSE listing rules.

The shareholders anticipate a sustainable return to their investment, as encumbered upon the stewardship role of the Board of Directors. The return is expected by way of a dividend or a capital gain.

Table 32: Total Shareholder Return (TSR)

The following table shows the total shareholder return of DIMO for the past five financial years.

	2022/23	2021/22	2020/21	2019/20	2018/19
TSR (RS.)	(9.5)	(29.75)	282.75	(52.20)	(160.20)

Communication with Shareholders

The Board has taken different endeavours to keep our investors connected with the business and informed of what the Company does. The effectiveness of the Board's engagements with Shareholders is assessed during the annual evaluation of the Board's performance as set out in the 'Board and Committee Performance evaluation" section.

We maintain a strong relationship with our shareholders through the following channels.

Figure 19: Communication channels with shareholders

- CSE Announcements
- Integrated Annual Report
- Corporate Website
- Press Releases
- Annual General Meeting & Corporate Events
- Social Media

Annual General Meeting

The Company conducts its Annual General Meeting (AGM) to ensure high level of engagement with shareholders in line with the Company's Articles of Association. The Company conducted its 77th AGM physically in June 2022 with more than 100 participants, after two consecutive online AGMs during the Covid-19 pandemic period. The AGM enables a constructive dialogue between shareholders and the Board, where shareholders are able to submit questions directly to the Board and all questions are responded to individually by the Board.

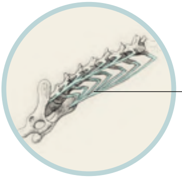
Corporate Responsibility towards Investor Relations

Shareholders are welcome to raise their concerns and queries to the Company Secretary. The Company Secretary will make sure all shareholders' concerns are acted upon and responded to in a timely manner. The Company Secretary, B.C.S.A.P. Gooneratne, who is also the Chief Financial Officer, is accessible through the following methods.

Email: dimo@dimolanka.com
Telephone : +94-11-2449797

The Chief Financial Officer also bears a responsibility to ensure transparent, timely disclosure of information to the Colombo Stock Exchange for shareholders' investment decisions. The Company has disclosed quarterly and annual financial results of the Company within the time stipulated by the CSE listing rules.

During the year DIMO's ordinary share recorded the highest of Rs. 740/- in September 2022 (2021/22: Rs. 1,450/-) and lowest price of Rs.280/- in April 2022 (2021/22: Rs.451/-).



FLEXIBLE

Our flexible internal structures enable us to deliver unmatched speed and performance.

Ordinary Shares

Table 33: Features of DIMO’S Ordinary Shares

Security Type	Ordinary Shares
Listed Exchange	Colombo Stock Exchange (CSE) – Main Board
Featured Stock Indices	All Share Price Index (ASPI)
CSE Stock Symbol	DIMO.N0000
GICS Industry Group	Retailing
International Securities Identification Number (ISIN)	LK0056N00008

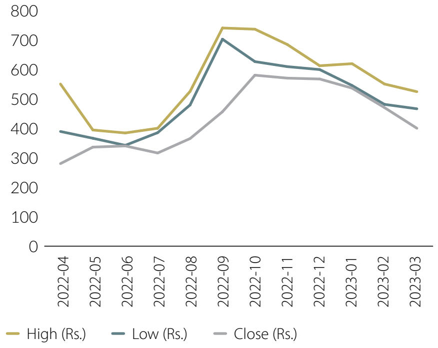
Table 34: Market Price Information of DIMO Share

	2022/23	Date	2021/22	Date
Highest (Rs.)	740	30-Sep-22	1,450	27-Jan-22
Lowest (Rs.)	280	27-Apr-22	451	30-Mar-22
Closing (Rs.)	466	31-Mar-23	488	31-Mar-22

During the year DIMO’s ordinary share recorded the highest price during the year of Rs. 740/- in September 2022 (Rs. 1,450/- in 21/22) and lowest price of Rs. 280/- in April 2022 (Rs. 451/- in 21/22). As at 31st March 2023 the market price of DIMO’s Ordinary Shares was Rs. 466/- per share. (Rs. 488/- in 21/22)

Below graph shows the share price movement of the Company during 2022/23

Graph 19:
Share Price Movement 22/23 FY



Below graph shows the share price movement of the Company during past five financial years

Graph 20:
Share Price Movement - Past Five Years

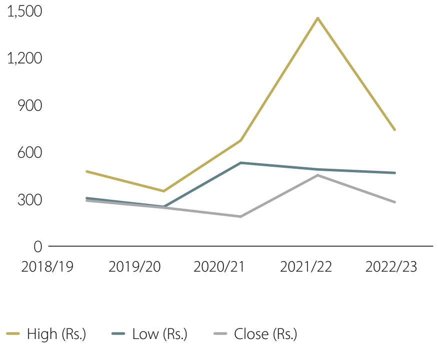


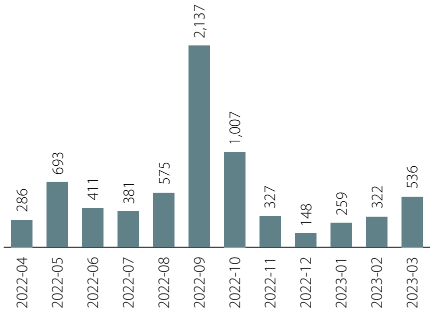
Table 35: Share Trading Information of DIMO Share

	2022/23	2021/22
No. of trades	7,082	6,774
As a % of total market trades	0.150	0.078
No. of shares traded	811,134	894,693
As a % of total shares traded in the market	0.004	0.002
Turnover (Rs. million)	405	902
As a % of total market turnover	0.081	0.093

Although there is a decrease in market price of the ordinary share compared to previous year, the number of share trades has increased during the year compared to previous year as shown in table 35. The Board ensures that the Company's publicly traded stock is being fairly traded through the regular dissemination of key information that allows investors to make their investment decisions.

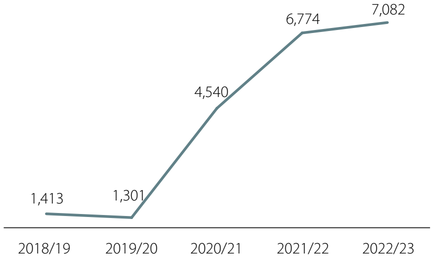
Below graph shows number of share transactions during 2022/23

Graph 21:
No of Trades During the Year



Following graph shows number of share transactions during the past five financial years

Graph 22:
No of Trades - Past Five Year



INVESTOR RELATIONS

Below depiction number of shares traded during 2022/23

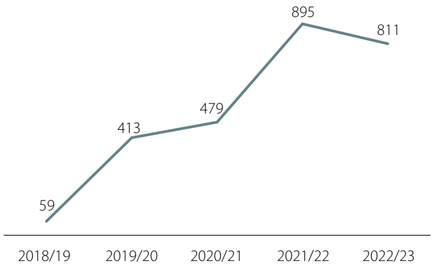
Graph 23:

No of Shares Traded During the Year ('000)

Below depiction number of shares traded during past five financial years

Graph 24:

No of Shares Traded ('000) - Past Five Years



We ensure transparent, relevant and time-outs reporting and positive shareholder feedback in order to build long-term investor relationships.

Shareholders

The Company's stated capital represents 2,210 ordinary shareholders as at 31st March 2023 (2021/22: 1,989).

The shareholder composition as required by as per CSE listing Rule 7.6 (X) and their corresponding shares details are provided below.

Table 36: Shareholder Composition

	As at 31st March 2023			As at 31st March 2022		
	No of Share holders	Total No of Shares	Shareholding %	No of Share holders	Total No of Shares	Shareholding %
1-1,000	1,951	200,364	2.17	1,738	178,677	1.93
1,001-10,000	198	581,131	6.29	189	581,497	6.30
10,001-100,000	47	1,335,690	14.47	47	1,217,060	13.19
100,001-1,000,000	12	4,247,557	46.01	13	4,387,508	47.53
1,000,001 and over	2	2,866,752	31.06	2	2,866,752	31.05
Total	2,210	9,231,494	100.00	1,989	9,231,494	100.00

Table 37: Individual/ Institutional Shareholding

	As at 31st March 2023			As at 31st March 2022		
	No of Share holders	Total No of Shares	Shareholding %	No of Share holders	Total No of Shares	Shareholding %
Individuals	2,070	6,034,813	65.37	1,842	5,974,447	64.72
Institutions	140	3,196,681	34.63	147	3,257,047	35.28
Total	2,210	9,231,494	100.00	1,989	9,231,494	100.00

Table 38: Resident/Non-Resident Shareholding

	As at 31st March 2023			As at 31st March 2022		
	No of Share holders	**Total No of Shares**	**Shareholding %**	**No of Share holders**	**Total No of Shares**	**Shareholding %**
Resident	2,181	8,985,315	97.34	1,963	9,140,627	99.02
Non-resident	29	246,179	2.66	26	90,867	0.98
Total	2,210	9,231,494	100.00	1,989	9,231,494	100.00

Equitable treatment of shareholders

Within the same class, all shares carry same rights. The arrangements for shareholder meetings ensures that the shareholders do not face undue difficulty regarding participation and voting. All shareholders possess equal right to vote for any resolutions that require their approval.

Table 39: The names and the number of shares held by the twenty largest shareholders of the Company

Name	As at 31st March 2023		As at 31st March 2022	
	No of Share holders	**Shareholding %**	**No of Share holders**	**Shareholding %**
Employee's Provident Fund	1,835,870	19.89	1,835,870	19.89
A.R. Pandithage	1,030,882	11.17	1,030,882	11.17
J.C. Pandithage	976,042	10.57	976,042	10.57
A & G Investments (Pvt) Limited	667,395	7.23	667,395	7.23
S.C. Algama	590,497	6.40	590,497	6.40
A.G. Pandithage	546,846	5.92	546,846	5.92
C.R. Pandithage	222,644	2.41	222,644	2.41
A.N. Algama	222,288	2.41	222,288	2.41
Almar Trading Co (Pvt) Ltd	198,900	2.15	198,900	2.15
A.M. Pandithage	189,611	2.05	189,611	2.05
T.G.H. Peries	189,407	2.05	189,407	2.05
D. Jayanntha	166,400	1.80	166,400	1.80
T.R.N.C. Peries	153,929	1.67	153,929	1.67
N.U. Algama	123,598	1.34	123,598	1.34
Ideal Automobile (Pvt) Ltd	87,938	0.95	-	-
M.L. Algama	69,976	0.76	-	-
L.S. Algama	69,975	0.76	-	-
Bank of Ceylon No.1 Account	61,054	0.66	61,054	0.66
I.S. Salgado	47,840	0.52	47,840	0.52
H.S. Pandithage	46,849	0.51	46,849	0.51
	7,497,941	81.22	7,270,052	78.75

Table 40: Directors' shareholding

Name*	As at 31st March 2023		As at 31st March 2022	
	No of Share holders	**Shareholding %**	**No of Share holders**	**Shareholding %**
A. R. Pandithage	2,006,924	21.74	2,006,924	21.74
S. C. Algama	597,769	6.48	597,769	6.48
A.G. Pandithage	593,695	6.43	593,695	6.43
A.M. Pandithage	233,138	2.53	233,138	2.53
C.R. Pandithage	222,644	2.41	222,644	2.41
M.V. Bandara	1,749	0.02	1,749	0.02
	3,655,919	39.61	3,655,919	39.61

*Includes shares held by spouse

INVESTOR RELATIONS

Market Capitalization

Market capitalization of the Company has decreased by 4.5% to Rs. 4,302 million as at 31st March 2023. (Rs.4,505 million as at 31st March 2022). This represents 0.10% of total market capitalization of the CSE as at 31st March 2023.

Table 41: Public Shareholding & Float Adjusted Market Capitalization

	As at 31st March 2023	As at 31st March 2022
Public Holding %	53.17	55.58
No of Public Shareholders	2,198	1,978
Float Adjusted Market Capitalization (Rs. million)	2,287	2,504

The Company complies with option 05 of the Listing Rules 7.14.1 (a) – Less than Rs. 2.5 billion Float Adjusted Market Capitalization which requires 20% minimum public holding.

Distribution to Shareholders & Key Indicators

Dividends

The Board maintains a fair and equitable dividend distribution policy for all shareholders. Over the years DIMO has paid cash dividend to its shareholders and the amounts paid over the past five years are shown below.

Table 42: Dividends

	2022/23	2021/22	2020/21	2019/20	2018/19
Divided per Share (DPS) - First and final dividend (Rs.)	12.5	12.5	2.5	2.5	-
Total Dividend Paid (Rs. million)	115	111	22	22	-

On 31st May 2023, a first and final dividend of Rs. 10.00 per share was declared by the Board of Directors for the financial year 2022/23 which is to be paid on or before 04th July 2023.

Rs. **1,622.31**

Net Assets Per Share

(2021/22 – Rs. 1,631.47)

16.53%

Dividend Payout

(2021/22 – Rs. 16.44%)

Rs. **62.73**

Group EPS

(2021/22 – Rs. 76.06)

Rs. **10.00**

Group DPS

(2021/22 – Rs. 12.50)

Table 43: Share Issues and Buy-Backs for the Past Twenty Years

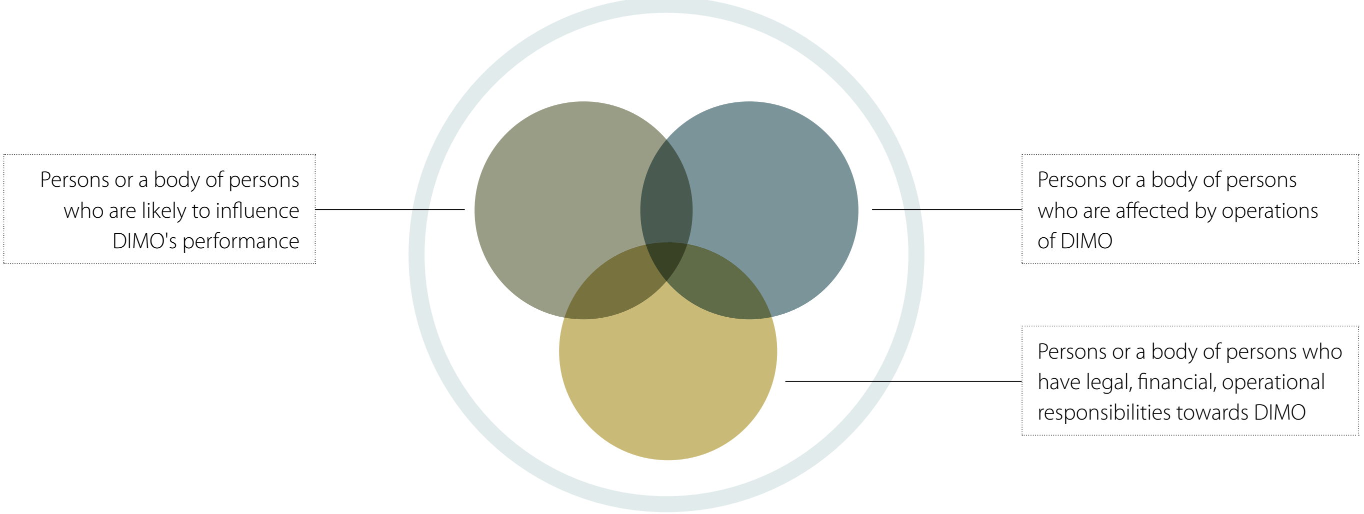
Year	Issue	No. of Shares	Price
2020/21	Capitalization of Reserves	355,057	Nil
2011/12	Scrip (one share per every fifty shares held)	174,048	Rs. 1,395.00
2008/09	Share Buy-Back	(1,397,611)	Rs. 160.00
2006/07	Rights (one share per every ten shares held)	1,100,000	Rs. 55.00
2006/07	Scrip (one share per every ten shares held)	1,000,000	Nil
2004/05	Scrip (one share per every nine shares held)	1,000,000	Nil
2003/04	Rights (one share per every two shares held)	3,000,000	Rs.20.00
2000/01	Scrip (one share per every four shares held)	1,200,000	Nil

STAKEHOLDER *engagement*

Stakeholders are one of the strongest pillars of the DIMO value creation model as they provide the capital inputs for value creation. In order to strengthen the bond with stakeholders, the company endeavours at all times to be aware of their needs and create value for them by delivering on their expectations, perhaps by exceeding them.

We engage stakeholders in many ways including during the brand health checks, and categorize them as indicated below.

Figure 20: Stakeholder categorization & priorities



Persons or a body of persons who are likely to influence DIMO's performance

Persons or a body of persons who are affected by operations of DIMO

Persons or a body of persons who have legal, financial, operational responsibilities towards DIMO

In addition to the stakeholder engagement, the Company also observes stakeholder needs during reviews, feedback sessions, internal audits and through communications from them. The final outcome expected of the stakeholder engagement is to ascertain material stakeholder issues.

Stakeholder needs are solicited from key stakeholder groups that consist of the shareholders, employees of DIMO, suppliers, customers and community.

Table 45: Types of stakeholders

Shareholders	Employees	Suppliers	Customers	Community
Shareholders is the key stakeholder group that the company is unwaveringly committed to serve and create value. Therefore, shareholders are the reason for existence of DIMO.	Employees are the true accelerators of the Group who take DIMO from strength to strength. Their expertise, tacit knowledge, skills and courage support the transformation of our purpose into value. Please read more on DIMO HR Strategy on page 21 - 22 and on Human Capital from page 50 - 51.	DIMO's suppliers include the world's leading innovators and best in class brands, with whom DIMO has collaborated for many years to deliver cutting-edge technology and value to our customers and the country. As ethical business is a key priority for DIMO, we maintain relationships only with suppliers who fit into our values and ethics. Please refer page 8 and scan perfect partnerships QR code.	From the farmer who purchases fertiliser to the elite customer who is pampered with our Mercedes-Benz aftersales relationship, we ensure that we serve all customers equitably with our win-win value propositions.	The society at large falls under the community category of stakeholders. Operations across the island expose DIMO to all layers of the social strata, enabling us to serve and uplift their well-being as part of our commitment to enriching lives. Page 54 - 55 of this report provides an account of our interactions with the society.

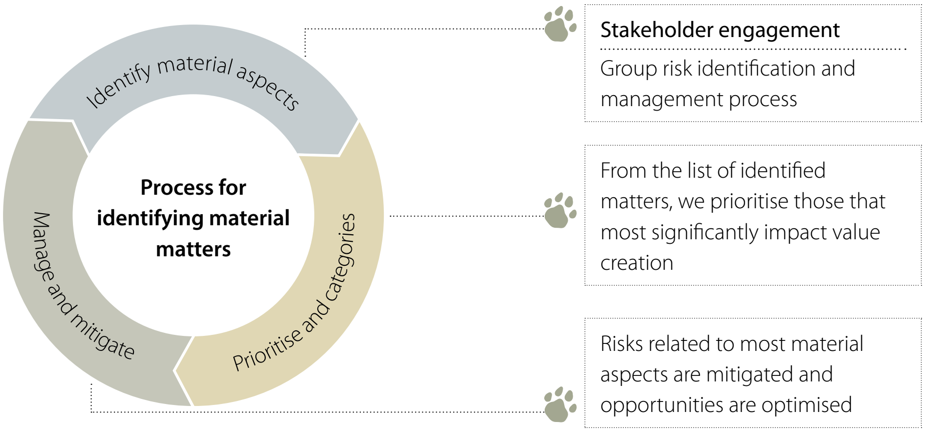
STAKEHOLDER ENGAGEMENT

Table 45: Channels of engagement with the stakeholders

Stakeholder	Channel	Frequency
Employees	Employee council meetings	Once a month
	Employee Engagement Survey	Once a year
	Annual Strategic Planning Meeting	Once a year
	Company's 'Open Door' Policy	On going
	Individual Performance Review	By Annual
	Employee Facebook Group	Online
	Anti-Harassment Help-line	On going
Suppliers	One-to-one interview	Once in every 3 years
	Dedicated managers for foreign business partner relationships	On going
	On-site visits from principals and vice-versa to facilitate engagement	On going
Customer	One-to-one interviews	Once in every 3 years
	Customer satisfaction survey	Once a month Quarter
	Loyalty customer clubs (TATA Emperor, Mercedes-Benz Club, Jeep club)	On going
Community	One-to-one interviews (by independent parties)	Once in every 3 years
	Dialogue with religious dignitaries	On going
	Written and oral communications initiated by stakeholders	On going
	Company website and social media platforms	Online
Shareholders	One-to-one interviews	Once in every 3 years
	Annual General Meeting	Once a year
	Other annual and quarterly publications	Periodically
	Company website and social media platforms	Online

Identification, Prioritization and Managing Material Stakeholder Issues

Figure 21: Stakeholder needs and expectation management

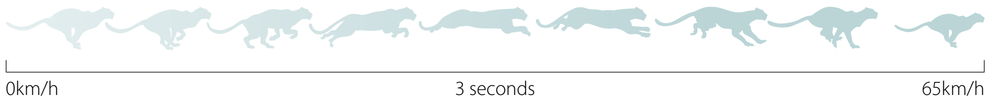


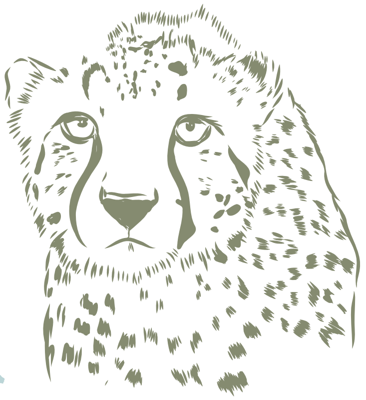
Stakeholder engagement

Group risk identification and management process

From the list of identified matters, we prioritise those that most significantly impact value creation

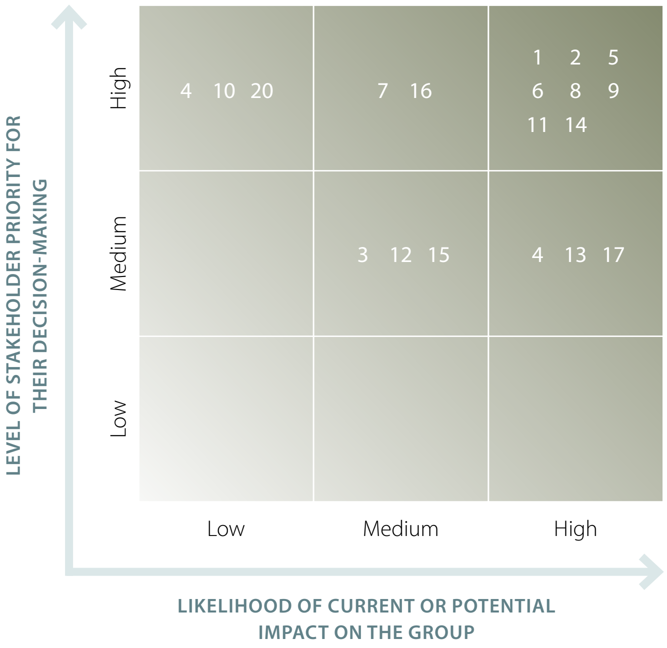
Risks related to most material aspects are mitigated and opportunities are optimised





'THE POWER TO ACCELERATE'

Figure 22: Prioritization of material stakeholder issues



Issues indicated in this area are of high significance and impact both the stakeholders and the organisation. All indicators shown in this area are fully discussed in the Annual Report and/or in the corporate website.

Issues indicated in this area have a relatively moderate impact on our business. They too were addressed during the reporting period and are fully or partially reported in the Annual Report and/or in the corporate website.

Issues found in this area of the grid have only a minor impact thus may only be reported in the corporate website.

Material Stakeholder issues identified

1. Reduction in disposable income
2 Inflation & high cost of living
3. COVID-19 pandemic
4. Foreign job opportunities and Job insecurities in Sri Lanka
5. Technical education for youth
6. Global recession
7. Data security & customer privacy
8. Import restrictions imposed by Sri Lanka Government
9. Unavailability of stock
10. Employee training & education
11. Increase in prices of products and services
12. Climate change and other environmental concerns
13. Regulatory impact on businesses
14. Extremely high Interest rates and adverse economic conditions
15. Product and service labelling
16. Occupational health and safety
17. Energy shortage
18. Mutually beneficial relationships with business partners
19. Emissions, effluents and waste
20. Compliance

Material Stakeholder Issues and Status

Table 46: Status of material topics – 2022 vs 2023

Material issue	Relevant stakeholder group	Change in level of concerns icon	Our response	Reflection of corporate strategy	Outlook
Reduction in disposable income	Customers	●	We offered value propositions to customers by making bundled offers and packages available	Differentiation	Looking forward to creating more value for money for our customers through customer experience management
Inflation & high cost of living	Employees	●	Financial assistance was provided during the times of economic hardship	Collaboration - internal	The group is committed to employee well-being and therefore assist employees during such crises is within the bounds of economic reality
Technical education for youth	Customers Society Suppliers	●	We continue our investments in technical education and expanded the number of opportunities provided to apprentices	Collaboration - external	A license will be obtained to launch new technical courses to enhance our contribution to society and customers while developing new partnerships

● Materiality of issues increased
● Materiality of issues decreased
● Materiality of issues remains the same
● New issue identified

STAKEHOLDER ENGAGEMENT

Material issue	Relevant stakeholder group	Change in level of concerns icon	Our response	Reflection of corporate strategy	Outlook
Restrictions on import of vehicles	Suppliers	🔵	Developing capabilities on other alternatives compatible with Sri Lankan regulations i.e electric vehicles	Collaboration and product diversification	Improving readiness to embrace change and seize opportunities
Restrictions on import of vehicles	Customers	⚪	Commencement of semi-knocked-down assembly-line as an alternative	Diversification	Improve the number of units produced per month
Increase in prices of products & services	Customers	⚪	Opening lower-cost options for customers who are price sensitive	Product diversification	Constant value engineering
Extremely high Interest rates	Customers	🟢	Partnering with several financial institutions to provide better payment conditions for customers	Collaboration	Constantly seek alternatives to support customers
Impact on performance due to adverse economic conditions	Shareholders	🔵	Geographical and sector diversification to reduce the impact of economic shocks. Where possible, seek collaboration to reduce risks. Differentiate through value proposition to compete better	Diversification Differentiation Collaboration	Further expand our business and performance by following the strategic pillars of diversification, differentiation and collaboration
Data security and customer privacy	Customers	⚪	Data security is of paramount importance and there are controls and other mechanisms employed to ensure data security	Collaboration	Invest in technology and training to enhance data security
Occupational health and safety	Employees	⚪	The group adheres to all statutory and regulatory requirements relating to health and safety. Complies with the ISO accredited health and safety management system.	Collaboration	Continuous improvement of health and safety

🔵 Materiality of issues increased
🟡 Materiality of issues decreased
⚪ Materiality of issues remains the same
🟢 New issue identified

Read page 18 - 23 for Strategy & Resource Allocation.

RISK management

The group risk management structure and process are aimed at managing material risks that could affect value creation.

The Board of Directors bear the overall responsibility of ensuring that all material risks are identified, assessed, and managed. The risk management function is operationalised through five pillars, decided based upon the locus of risk.

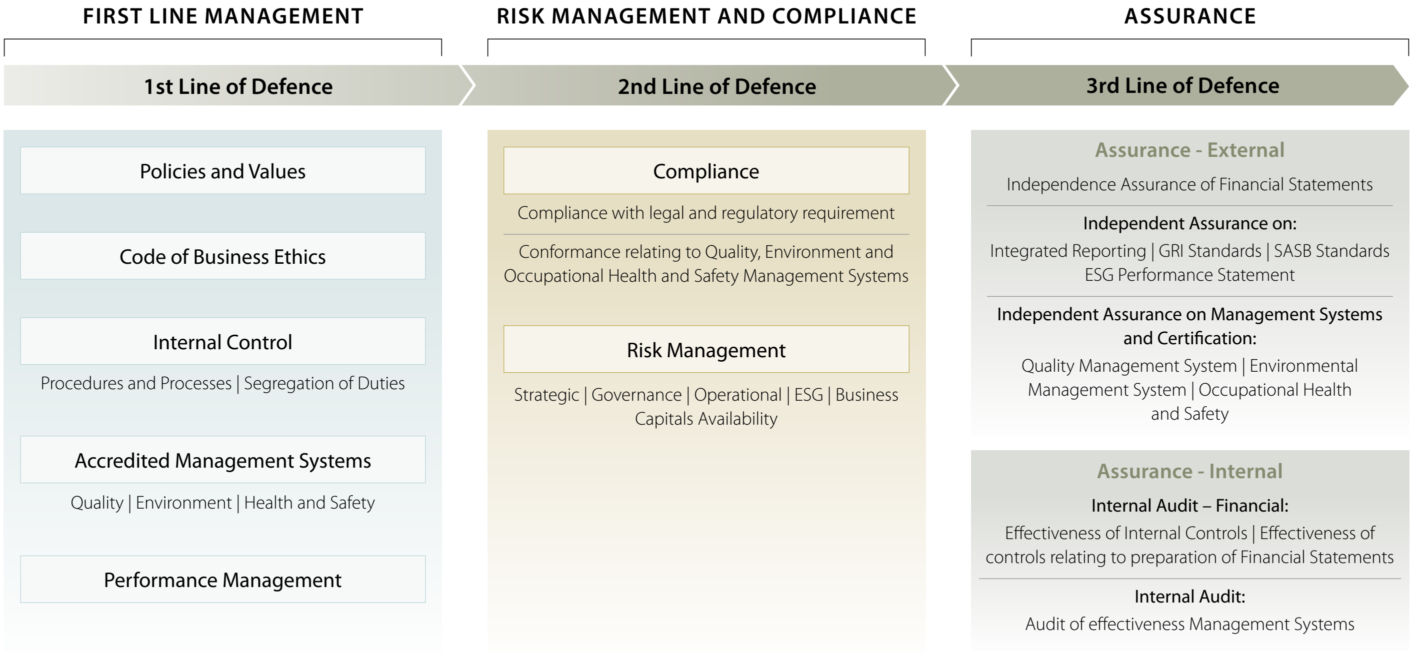
Figure 23: Locus of Risks Management

The below table demonstrates how the group risk management process is operationalised under each pillar and where it is reported in the annual report.

#	Risk Type	Identification | Mitigation	Section reported
1	Strategic & Enterprise Governance	Identified and actioned at strategic planning level and at enterprise governance level.	Risk management section Refer pages 81 - 86
2	Operational	Identified and actioned either through accredited management systems or stakeholder engagement.	Risk management section Refer pages 81 - 86
3	Business	Highlighted during market surveys and stakeholder surveys and actioned through Business Units.	Business report Refer pages 30 - 41
4	Capitals	Relating to availability of capitals of the right quality and quantity - identified and actioned at functional level. i.e HR, IT, Finance	Capital report Refer pages 42 - 56
5	Environmental, Social and Governance	Identified and actioned during strategic planning and through stakeholder engagement.	Risk management section refer page 81-86, Sustainability Agenda 2030 page 88-95, Business reports page 30-41, Capital Reports page 42-56

The three lines of defence given below show how the robustness of the risk management process is preserved.

Figure 24: The Three lines of defence



FIRST LINE MANAGEMENT

1st Line of Defence

Policies and Values

Code of Business Ethics

Internal Control

Procedures and Processes | Segregation of Duties

Accredited Management Systems

Quality | Environment | Health and Safety

Performance Management

RISK MANAGEMENT AND COMPLIANCE

2nd Line of Defence

Compliance

Compliance with legal and regulatory requirement

Conformance relating to Quality, Environment and Occupational Health and Safety Management Systems

Risk Management

Strategic | Governance | Operational | ESG | Business Capitals Availability

ASSURANCE

3rd Line of Defence

Assurance - External

Independence Assurance of Financial Statements

Independent Assurance on:

Integrated Reporting | GRI Standards | SASB Standards ESG Performance Statement

Independent Assurance on Management Systems and Certification:

Quality Management System | Environmental Management System | Occupational Health and Safety

Assurance - Internal

Internal Audit – Financial:

Effectiveness of Internal Controls | Effectiveness of controls relating to preparation of Financial Statements

Internal Audit:

Audit of effectiveness Management Systems

RISK MANAGEMENT

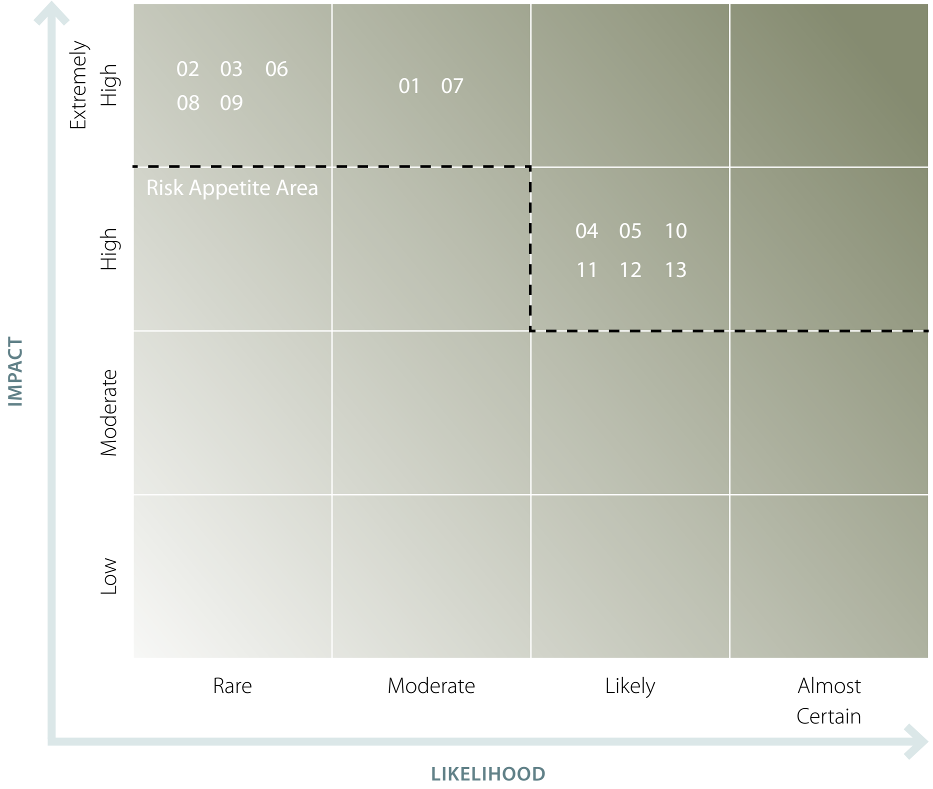
Risk Evaluation and Mapping

The risks identified are mapped on a grid to determine the materiality of each in relation to value creation. The grid considers the likelihood of occurrence and potential impact. The likelihood of occurrence is assessed based on past experience and the preventative measures in place, while the impact of the event is assessed by determining the loss it would cause and the extent of the impact. Each risk is assigned a ranking of 'almost certain', 'likely', 'moderate' or 'rare' related to the probability of occurrence. After consideration of these two factors, the impact is then categorised as 'low', 'moderate', 'high' or 'extremely high'.

The position of a particular risk on the risk map indicates whether the risk falls below or beyond DIMO's risk appetite. The extent to which risk mitigation actions are required is then determined.

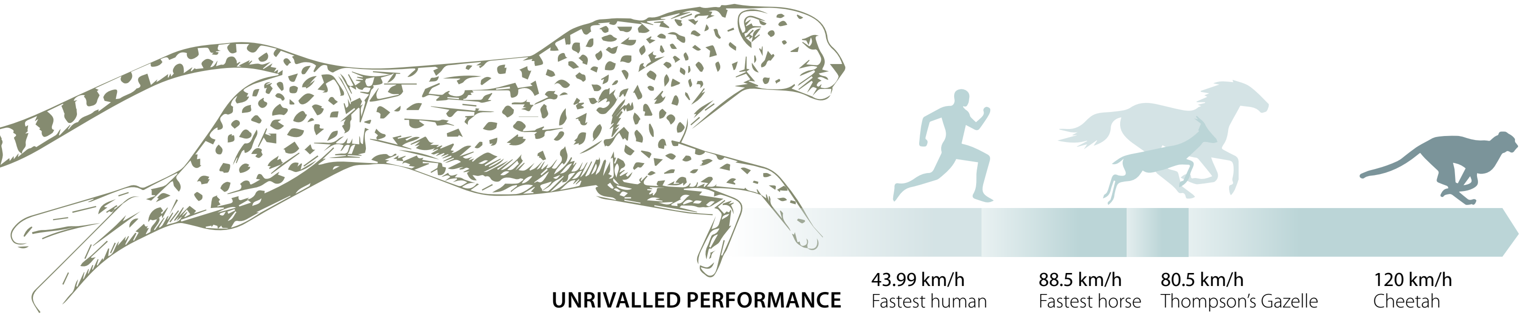
The risks that are within the risk appetite of the Group are addressed and managed at the Group Management Committee level based on the management activity to which it relates. Risks falling outside the risk appetite are communicated to the Board of Directors to ensure proper mechanisms are in place to address such risks.

Figure 25: Risk Heat Map



Risks that Exceed Group's Risk Appetite

1. Legal & Regulatory Risks
2. IT & Data Security Risks
3. Data Privacy
4. Restructuring of Local Debt
5. E-commerce and Digital Transformation
6. Health and Safety Risk
7. Disruption in Supply Chain Management
8. Foreign Currency Rate Fluctuation Risk
9. Foreign Currency Availability
10. Reduction in Purchasing Power of Consumer
11. Reputational Risks (Social)
12. Climate Related Risks (Environment)
13. Reputational Risks (Environment)



Strategic & Enterprise Governance Risks

Our strategic risk management encompasses the comprehensive understanding of the organisation's internal and external environment, effective risk assessment and analysis, and the development of robust risk mitigation strategies. It involves aligning the organisation's strategic objectives with its risk appetite, regularly monitoring, and evaluating strategic initiatives, and fostering a culture of risk awareness and proactive decision-making throughout the organisation.

Enterprise governance risks are risks associated with design lapses or breaches in enterprise governance; lapses in IT security, legal and regulatory compliance and customer confidentiality are examples.

Table 48: Strategic and enterprise governance Risk & mitigation strategies

Risk	Inherent Risk	Mitigation Strategy	Residual Risk After Mitigation Strategy
1. **Legal & Regulatory Risks** Breach of regulations, legislation, best practices, industry standards, or company policies.	Non-compliance can cause loss of reputation and license to operate, and consequently impact sales.	Management Systems at DIMO such as EMS, QMS & OHS; Code of Business Ethics; Reviews by Legal Division; Compliance requirements of foreign principals.	Residual risk after mitigation is reduced to 'Medium to High'.
2. **IT & Data Security Risks** Disruption to IT systems, such as cyber-attacks or infrastructure failure, resulting in business disruption.	Limits our ability to produce and safeguard product quality. Limits our ability to maintain operations or limits future business opportunities if proprietary information is lost. May have an adverse impact on sales, profits and market position.	DIMO IT Security Policy: Contingency plans for non-availability of IT systems. Company-wide internal audit of IT security controls. Detection and protection mechanisms in IT systems and business processes.	Residual risk after mitigation is reduced to 'High' from 'Extremely High'.
3. **Data Privacy** Breach of data confidentiality in stakeholder information.	Such an event could damage Company's reputation and expose DIMO to legal consequences.	Identification of location of confidential information; staff training with regard to data privacy; Company-wide information security awareness activities.	Residual risk after mitigation is reduced to 'High' from 'Extremely High'.
4. **Restructuring of Local Debt** The government has agreed with International Monetary Fund (IMF) to restructure its local debt.	The government has agreed with the IMF to restructure the local debt, which may lead to a shortage in local bank funding for investment and the working capital requirements of the corporate sector.	The relationships with banking institutions to secure priority allocation of working capital funding. Be alert to action taken by the bank in line with government policy. Compiling a backup plan.	Residual risk after mitigation will remain unchanged.
5. **E-commerce and Digital Transformation**	The industry is experiencing a shift towards online channels and digital transformation. Failing to effectively leverage e-commerce platforms, mobile technology, and data analytics can pose strategic risks for DIMO.	The organisation is in the process of setting up an innovative ERP system across all business verticals that are capable of enhancing analytics, customer behaviour simulation and customer experience.	Residual risk after mitigation is reduced to 'High' from 'Extremely High'.

RISK MANAGEMENT

Operational Risk

Managing operational risks involves identifying, assessing, and mitigating potential risks to ensure the smooth functioning of an organisation's operations. This includes implementing robust internal controls, effective management system and processes, regular monitoring and reporting mechanisms, and training programs to enhance employee awareness of different management system.

Table 49: Operational Risk & mitigation strategies

Risk	Inherent Risk	Mitigation Strategy	Residual Risk After Mitigation Strategy
6. Health and safety risk Risk of possible threats to health and safety of customers, employee and any person within the premises of DIMO or carries out work on behalf of DIMO.	DIMO is a responsible company committed to safeguarding health and safety of any person who could be affected by DIMO's operations. Any breach can cause losses to the victim and the company's reputation.	DIMO's ISO 9001:2015 certified quality management system and ISO 45001:2018 certified health and safety management system ensure that the health and safety of all stakeholders of DIMO is not compromised.	Residual risk after mitigation strategies will reduce to 'Low' from 'High'.
7. Disruption in supply chain Management	DIMO is the representative for a number of global best in class brands. Any disruption to supply chain, such as delays, quality issues, or inventory shortages, can impact the availability of products and lead to customer dissatisfaction and also the dissatisfaction of principals whom we represent.	Effective communication, relationship management and sales and operational processes operation are crucial to managing a smooth supply chain without disruptions. Adequate resources are allocated for its effective functioning.	Residual risk after mitigation is reduced to 'Medium' from 'High'.
8. Foreign currency rate fluctuation risk Unusual depreciation/appreciation of the rupee against foreign currencies.	Unusual foreign currency fluctuation effects pricing policy and may result in increased costs that cannot be passed on to customers	Close monitoring of movement in foreign exchange rate. Use of mechanisms to hedge against foreign currency exposure (forward contracts, etc.). To work on a mid-term pricing policy valid for approximately one year.	Residual risk after mitigation strategies will reduce to 'High' from 'Extremely High'.
9. Foreign currency availability Recurrence of shortage of foreign currency.	Foreign currency shortages will impact imports by causing stock shortage.	Treasury function and sales and operational processes to take account of trends in the foreign currency market.	Residual risk after mitigation is reduced to 'Medium' from 'High'.

ESG risk and Opportunities

Risks

This section together with Sustainability Agenda 2030 on pages 88 - 95 and the ESG Performance Statement on page 96 provides Information to readers to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities. This section covers risks and also some opportunities arising from external events and our own actions, whilst the Sustainability Agenda 2030 and ESG Performance Statement covers mainly the sustainability related impacts made by the operations of DIMO.

ESG Risk Management

Risks related to environmental and social aspects could harm and impair DIMO's value creation. The Company must manage these risks whether DIMO is exposed due to its own actions or due to events occurring outside the boundaries of DIMO. For example, conducting a business in a manner that harms the environment exposes the Company to risks arising from the environmental aspect. There can also be an external event such as drought and non-availability of water that would impact DIMO's value creation activities although such external events are not within the control of DIMO. Both situations however pose a risk and therefore, have to be managed.

The governance structure pertaining to the management of environmental and social risk is presented on page 91. Discussed below are some aspects relating to management of ESG risks.

Strategic Risks & Opportunities Relating to ESG

ESG related risks can be strategic, similar to other strategic enterprise risks. These can be in the form of non-availability of the required quality and the quantity of social and natural capital or reputation. On the other hand, it can become an opportunity if the Company's responsible behaviour towards environmental and social factors is capitalised on to enhance brand equity. Thus, the governance of environmental and social factors could have a strategic impact on verification.

Operational Risks Relating to ESG

In the short to medium term, we are exposed to ESG risks throughout our value chain. Each business unit is required to maintain an aspect register and a risk register to record aspects that can pose a threat and risks that can arise within those aspects. The Quality Management System, Environmental Management System and Occupational Health & Safety standards are key tools used to manage operational risks relating to ESG. The head of each business unit is mainly responsible for managing operational risks relating to ESG with the assistance of the Compliance Unit and Sustainability Unit of DIMO.

Stakeholder Engagement

Our stakeholder engagement is a key governance tool used to map risks and opportunities arising from all our stakeholders, ensuring a value driven ESG strategy. Stakeholder engagement takes place through several methods which vary from surveys to independent one-on-one interviews. Please refer Stakeholder Engagement presented from pages 77 - 80 for more details.

Table 50: ESG Risk & mitigation strategies

Risk	Inherent Risk	Mitigation Strategy	Residual Risk After Mitigation Strategy
10. Reduction in Purchasing Power of Consumer (Social) Increase in inflation affects all businesses, exerting pressure on costs and margins. There is a potential pressure on wages as well. From the consumer perspective, inflation could lead to reduced demand for non-essential goods.	Majority of DIMO's products are of a capital nature thus can be of lower priority during an economic recession.	Strengthen sales and operational processes taking in to account the impact of inflation. Offer value proposition catered to customers capacity. Marketing strategy to increase market share.	Residual risk after mitigation strategies will reduce to 'High' from 'Extremely High'
11. Reputational Risks (Social)	Any impact towards our customers, employees, and community through our business operations. The consequences can be loss of social license to operate, damage to brand equity, customer dissatisfaction and impact on employer branding.	• An outstanding customer service with 24/7 service provision and customer satisfaction surveys. • Community service and CSR. • Adhering to labour laws and regulations and other international principles. • Member of UN Global Compact (UNGC). • Focus on diversity and inclusion and employee well-being.	Residual risk after mitigation strategies will reduce to 'Medium' from 'High'
12. Climate Related Risks (Environment)	Damages to people, property, and business. Impact towards employees and humans from rising temperatures, floods, tsunami, and other natural disasters.	Climate risk adaptation, mitigation and disaster risk resilience for people and property.	Residual risk after mitigation strategies will reduce to 'High' from 'Extremely High'

RISK MANAGEMENT

Risk	Inherent Risk	Mitigation Strategy	Residual Risk After Mitigation Strategy
12. Climate Related Risks (Environment)	Impact on the quality and productivity of principle crops from DIMO Agribusiness due to heavy rainfall and chemical accumulation in soil.	Hybrid and climate resilient seed production. Hydroponics and other technologies to deal with climate related risks.	Residual risk after mitigation strategies will reduce to 'High' from 'Extremely High'
	Sri Lankan agriculture largely depends on rainfall. Lack of rainfall can adversely affect the agriculture business.	Increase in market share to compensate for loss of sales due to drought.	Residual risk after mitigation strategies will reduce to 'High' from 'Extremely High'
13. Reputational Risks (Environment)	The impact on the environment through our business operations can lead to a damage in brand equity, legal consequences and even loss of social license to operate.	Certified in ISO 14001: 2015 environmental standards. This ensures we adhere to local and internal standards for water, energy, and waste management in our operations. ISO 14064: 2018 is used to calculate our carbon footprint and indicates our responsibility towards our emissions.	Residual risk after mitigation strategies will reduce to 'High' from 'Extremely High'

Table 51: Opportunities

As much as sustainability operations and external situations can pose risks for DIMO, they also present opportunities. Given below is a brief of such opportunities that DIMO is geared to seize:

ESG opportunity	Description	Seizing the opportunity
Corporate Brand equity	DIMO brand equity is important in attracting stakeholders. By managing ESG risks effectively and responsibly, DIMO can create brand equity as a company that respects and embraces sustainability.	As seen in the Strategy and Resource Allocation section (page 18 - 23), sustainability has a significant space in corporate strategy. The sustainability management systems implements standards of quality, environment and health and safety. The Corporate Communication Division is entrusted with communicating DIMO's sustainability efforts in an appropriate manner.
Employer Brand equity	An employee would like to be employed by a company that behaves responsibly. This affords an employee a congruence between his or her conscience and that of the corporate. This increased the likelihood of prospective employees wanting to be part of the DIMO tribe by increasing the employer brand of DIMO.	The human resources development function together with the Corporate Communications Division make sure that the sustainability friendly values of DIMO are communicated to current and prospective employees.
Electric Vehicles	Changes in the environmental landscape demand that combustion engines are replaced by electrically powered vehicles.	The two key principals of DIMO have developed electric vehicles that are attractive to the market. Preparations are underway to import and take care of these vehicles when electrically driven vehicle imports are permitted.
Renewable Energy	The energy plan of the government requires a significant increase in generation of renewable energy, partly to keep up with its sustainability targets.	DIMO is in the process of consolidating and strengthening its portfolio of renewable energy mainly through solar power.

Sustainability

A STEADFAST *performance*

By maintaining the right controls, we can achieve a balanced performance and maneuver through changing conditions with ease.

Cheetahs are the only cats that can turn in midair while sprinting. The inner ear is sensitive to different movements and is crucial in guiding the eyes and muscles to maintain balance and a steady, unwavering head posture.

SUSTAINABILITY *agenda 2030*

DIMO's Sustainability Agenda 2030 drives ESG operations within a well-developed ESG ecosystem. A long-term approach, having three clearly defined pillars of focus; Being a Resilient Business, Creating a Resilient Community and Conserving a Living Planet.

ESG and Sustainability

The DIMO philosophy requires that the Group has in place a system by which to identify risks and opportunities related to Environment, Social and Governance (ESG) factors that arise due to acts of the group or external factors, and that the Groups acts to mitigate and manage risks whilst seizing identified opportunities. The ultimate purpose is to create value for shareholders and stakeholders in the short, medium, and long-term. To this end, it is necessary that we think, plan, implement and control the environmental, social, and economic impacts that the Group has on stakeholders and the environment. This need of DIMO is fulfilled by the sustainability management framework, the performance of which is referred to as ESG Performance.

Sustainability and Value Creation

The sustainability management framework encompasses planning, implementation, and control of many activities across the group, which are managed through accredited management systems. The group has embarked on the ambitious Sustainability Agenda 2030 to pursue sustainability targets with the aim of managing ESG risks and opportunities.

Given the strategic importance we place on sustainability, DIMO's goal is to be a benchmark for sustainability among conglomerates. The dynamics of a Group with a footprint in several industries, operating in a continuously changing environment pose tough challenges when it comes to aligning the processes into data-driven sustainable thinking designed to achieve milestones. However, it is a challenge that DIMO embraces with enthusiasm.

We understand that being sustainable is not about managing the negative impacts of our business, but to go beyond and leverage sustainability to create value for the organisation. The Strategy and Resource Allocation, and the Value Creation Model on pages 24 - 25 illustrate how we have embedded this aspect.

Sustainability and corporate purpose

The sustainability philosophy of DIMO is based on managing ESG related risks and opportunities, the ultimate purpose of which is to create value for the organisation, shareholders and stakeholders. This is also the ultimate outcome expected from the statement of purpose 'fuelling dreams and aspirations'.

Role of sustainability in corporate strategy

The role of sustainability in corporate strategy is to provide a management framework to mitigate and manage risks and opportunities arising from ESG factors. The Value Creation Model on pages 24 - 25 shows the role of ESG in the corporate value creation model. The risks and opportunities relating to each business segment and capital are identified in the Business Report from pages 42 - 56 and pages 30 - 41 respectively. The statement of ESG Performance that reflects the inputs and outputs and outcomes of risk and opportunity management efforts through the sustainability management framework is presented later in this section.

Sustainability Agenda 2030

Our Sustainability Agenda 2030, a long-term approach, has three clearly defined pillars of focus; Being a Resilient Business, Creating a Resilient Community and Conserving a Living Planet. The DIMO tribe has taken ownership of this agenda and its long-term KPIs and milestones. The Board of Directors retains overall accountability for DIMO's Sustainability Agenda 2030. The management systems in place for quality, environment, social accountability, and health and safety ensure that we follow a framework to identify our risks and opportunities and to take control measures to minimize our impact and seize opportunities.

The inputs for the Sustainability Agenda 2030 were received from previous stakeholder engagement and management processes.

The performance management systems will incorporate the actions that need to be taken in order to reach the desired targets and milestones of the sustainability agenda. Internal communications and management systems align employees to the Group Sustainability Agenda 2030. Such management systems consist of the Environmental Management System, the Quality Management System, Occupational Health & Safety protocols, the Carbon Management System and HR policies and initiatives relating to diversity and inclusion.

DIMO's Sustainability Agenda 2030 drives ESG operations within a well-developed ESG ecosystem, which takes care of all material facets relating to ESG.

Figure 26: DIMO Sustainability Agenda 2030

BEING A RESILIENT BUSINESS

- Sustainable Entrepreneurship & Innovative Product Design
- Ethical Business Conduct
- Sourcing & Circularity

Achieve
50%
Revenue Generated through Sustainable Products and Services

CREATING A RESILIENT COMMUNITY

- Improving Employee Well-being
- Meaningful Employment through Diversity
- Creating Opportunities & Partnerships for a Thriving Community

40%
Women in Decision Making Roles

Creating a Positive Impact on
1 million
Individuals

CONSERVING A LIVING PLANET

- A Conscious Footprint to Minimize Impact
- Restore & Enhance

100%
Use of Treated Water

Zero
Landfill

Reducing Carbon Emission by
50%

1:1
Restoration

Scan this QR Code to view DIMO's Sustainability Agenda 2030 video in Our Sustainability Section

Figure 27: DIMO Sustainability Glossary

SUSTAINABLE PRODUCTS & SERVICES

Providing environmental, social, and economic benefits;

1. Raw material from recycling material (15% or more)
2. Sustainable disposing
3. Saving energy or water
4. Reduction of GHG (Green House Gasses) emissions
5. Protecting public health

WOMEN IN LEADERSHIP

Leading a group of people or an organisation;

1. Assistant manager
2. Manager
3. Deputy general manager
4. General manager
5. Director

ESG

Environmental, social and corporate governance (ESG), a framework designed to be integrated into an organisation's strategy to create enterprise value by expanding the organisation objectives.

CIRCULARITY/CIRCULAR ECONOMY

Circularity - A product created with its own end-of-life considered.

Circular Economy - A systems solution framework that tackles global challenges like climate change, biodiversity loss, waste, and pollution.

RESILIENT COMMUNITY

To promote the ability of our employees and community to sustain adversity and live a dignified life.

ETHICAL BUSINESS CONDUCT

Refers to the standards for morally right and wrong conduct in business. Generally, there are about 12 ethical principles: honesty, fairness, leadership, integrity, compassion, respect, responsibility, loyalty, law-abiding, transparency, and environmental concerns.

DIMO NATURE CLUB

Creating a platform for employees to engage in conservation & social welfare.

The ability to volunteer.

DIMO SUSTAINABILITY AGENDA 2030

The Agenda identifies the focus for the next 8 years. A pathway that determines stability, to overcome challenges and to institute sustainable mechanisms.

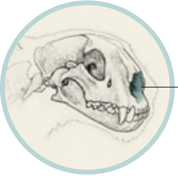
It is a journey that will diversify our workforce, products & services - creating a resilient community to build back.

SUSTAINABILITY AGENDA 2030

Table 52: DIMO Sustainability Long Term & Short-Term Goals & Achievements

DIMO Sustainability Agenda 2030	Being a Resilient Business	Conserving a Living Planet				Creating a Resilient Community	
	Business	**Emission**	**Water**	**Waste**	**Biodiversity**	**Diversity & Inclusion**	**Impact to Community**
Short Term 2023	Achieve 32% revenue generated through Sustainable Products & Services	Reducing carbon emission by 10% from a 2019 baseline	60% Reuse of treated water	Zero Landfill	1:1 Restoration	15% Women in decision making roles	Creating a positive impact in 5,000 individuals
Long Term 2030	Achieve 50% revenue generated through Sustainable Products & Services	Reducing carbon emission by 50% from a 2019 baseline	100% Reuse of treated water	Zero Landfill	1:1 Restoration	40% Women in decision making roles	Creating a positive impact in 1 million individuals
Our Progress 2022/2023	29%	23.3%	30%	Reused 57% Recycled 22% Energy recovery 21%	7.6 hectares	12%	2,946
Our Progress 2021/2022	27%	14.4%	38%	Reused 43% Recycled 33% Energy recovery 24%	4.5 hectares	10%	2,330

> "DIMO's foundation is built on our values, which distinguish us and guide us through our Sustainability Agenda 2030. Our commitment on how we do business ethically gives us an opportunity to be more resilient as an organisation and as a business entity."
>
> **Gahanath Pandithage**
> Director/Group Chief Executive Officer



STRUCTURED

The perfect capacity enhancements enable us to optimise our performance.

Scope of Sustainability and Reporting

Sustainability in business as a concept has undergone immense change over the last few decades. Now, organisations are expected to take more strategic action towards embracing a circular economy – addressing a spectrum of areas from innovation, technology and data-driven decision making to sustainable packaging and greening supply chains. Similarly, the scope of how sustainability is reported has also evolved over time. Looking ahead, ESG priorities will transform supply chains while sustainable technologies will be leveraged to verify end-to-end ESG credentials.

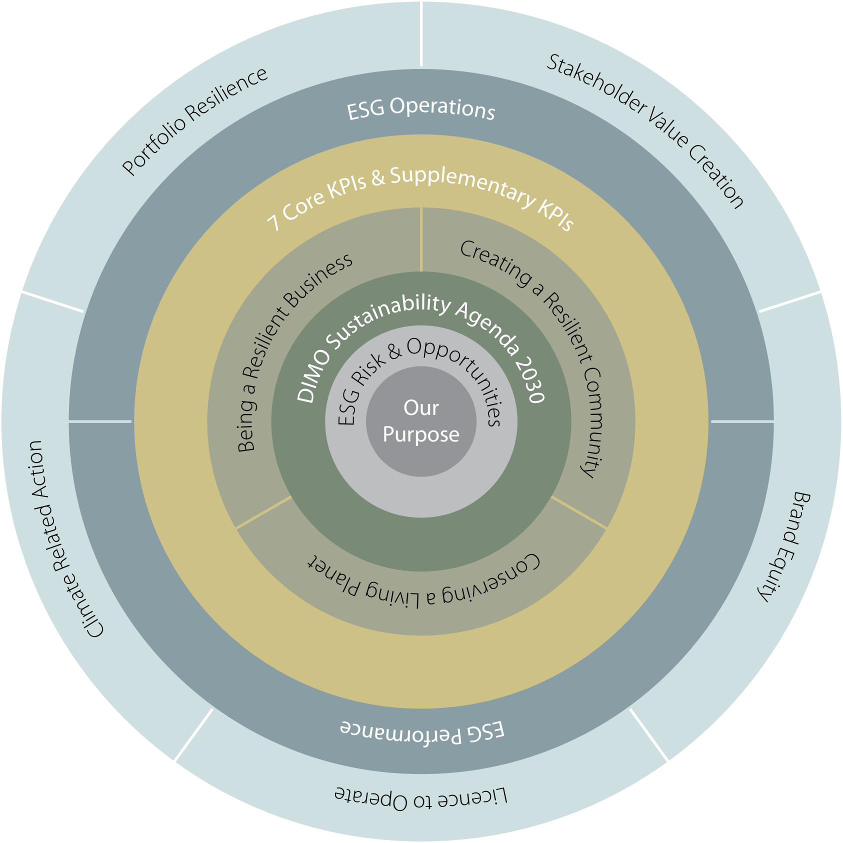
The scope of sustainability is derived from the purpose, strategy and ESG risks and opportunities of the DIMO Group. Reporting on sustainability is governed by the laws, regulatory frameworks, standards, guidelines, and protocols specified on page 5 of this report.

ESG Structure

The Sustainability Agenda 2030 is driven by the ESG structure, led by the Group Chief Executive Officer. The agenda is pursued under the leadership of the four pillar heads, who are also members of the Group Management Committee. The pillars identified for specific actions, among others, are Business Pillar, Environment Pillar, Social Pillar- Community and Social Pillar – Employees.

The scope of sustainability is derived from the purpose, strategy and ESG risks and opportunities of the DIMO Group. A desirable mix of short, medium and long-term KPIs provide the basis for an ESG Strategy that can be sustained.

Figure 28: ESG Profusion Map of DIMO



ESG Performance

The end purpose of ESG is achieved through ESG operations, also referred to as Sustainability operations. This is planned, executed and managed through the management systems in place and the relevant KPIs identified in performance management. A desirable mix of short, medium and long-term KPIs provide the basis for an ESG Strategy that can be sustained.

DIMO's ESG performance is based on our pillars that drive the Sustainability Agenda 2030. The pillars discuss the triple bottom line vis-a-vis a resilient business, a resilient community and a conserving the planet.

Being a resilient business demands that DIMO secures a portfolio that will be least affected by ESG risks, and a portfolio built on the opportunities arising out of matters relating to ESG. Towards achieving this, the group has embarked upon expanding the portfolio to include 'sustainability friendly products' a term defined in our sustainability glossary.

> "Incorporating sustainability in our day-to-day corporate lives create behavioural change in the company and its people – that creates organisation reputation; and our reputation is our brand."
>
> **Mega Ganeshan**
> Manager – Sustainability

Being a Resilient Business

MIDITER – NATURALLY YOURS

A range of natural plant-based food products that fits the description natural, healthy, and sustainable.

Our products are grown, harvested, and packed with the promise of complete transparency throughout our supply chain. This transparency goes beyond sourcing the product, as they are grown, harvested and packed in compliance with social accountability norms. DIMO also provides farmers with technical expertise and support in order to give the consumer a product that complies with social responsibility norms. White labelling is also offered in conformity with our best practices. Miditer offers a range of sustainably produced coconut-based products, that help maintain a healthy lifestyle.

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Sustainability Products & Services

SUSTAINABILITY AGENDA 2030

> “Aftersales business faces many risks relating to environment. We have directed all our endeavours to mitigate these risks by having required investments and accredited processes. In fact, we look at this as an opportunity to differentiate ourselves.”
>
> **Mahesh Karunaratne**
>
> Chief Operating Officer -
> Aftersales Services

Scan this QR Code to view videos on DIMO’s Sustainability Projects and Mangrove Restoration Project, in Our Sustainability Section

> “A prerequisite to a high-performance team is understanding all groups of employees in an organisation's workforce and their differences and create a culture that they can thrive irrespective of their differences, which is not an easy task. This goes beyond implementing equal treatment, and very often requires addressing matters equitably. 'Powerfully You' is such a very special leadership development program that focuses women at DIMO. We believe that the organisation can be more productive and serve the customers better when everyone acknowledges differences of others and respect those differences.”
>
> **Dilrukshi Kurukulasuriya**
>
> Executive Director/
> Chief Human Resources Officer

Sustainable Products & Services Projects

GRAPHENSTONE

Created in November 2013, it is a worldwide ground-breaking eco-friendly product with exceptional qualities. Graphenstone paint offer graphene-based technology combined with natural minerals like lime and silicate. This makes it a fantastic choice if one is looking for an organic and natural paint that offers the highest quality finish, superior strength, excellent conductivity, flexibility, and durability along with very low VOC levels. It is the ultimate ecological range of products, composed of natural elements that purify the air we breathe inside our homes.

DIMO POWER & ENERGY SOLUTIONS

As a company that continuously strives to reshape the green energy landscape in Sri Lanka, DIMO provides advanced solutions for renewable energy sources in the country.

Creating a Resilient Community

BOOK DONATION

DIMO contributes towards the welfare of the community around us every year. The Annual Book Donation event aims at helping underprivileged children pursue their education, unhindered. 849 children were beneficiaries of the Group’s book donation.

POWERFULLY YOU

DIMO launched 'Powerfully You', a leadership development program for females focusing on the specific challenges women face in career growth and the specific leadership capabilities that must be inculcated to take up leadership roles. This was the first of its kind and was delivered by international transformation coach, Senela Jayasuriya to empower the women in junior and middle management at DIMO. In the first intake in 2022/23 there were 15 ladies from DIMO, representing different departments and different levels of work who successfully completed the program.

Through this interactive and thought-provoking journey, the participants embarked on a transformative experience of guided self-reflection and coaching-infused training

Community & Employee Engagement

TOTAL WATER SOLUTIONS

Today, DIMO can provide extremely energy efficient and optimal solutions for water supply in collaboration with global leaders in the industry. The Group has been involved in many water supply infrastructure projects in the country, bringing state of the art technology to the country's water supply systems.

DIMO'S ANTI-HARASSMENT POLICY & HELPLINE

As a part of DIMO's Respectful Workplaces Program, an Anti-Harassment Helpline has been established and is managed by an IFC-trained independent consultant who receives complaints and conducts inquiries in a confidential, impartial, and credible manner, in accordance with the IFC Survivor-Centred approach. Following inquiries, the Consultant advises and recommends innovative and creative initiatives inspired by international standards and best practices and tailored to the organisation's needs, geared at both individual relief and systemic change.

DIMO NATURE CLUB

The purpose of establishing DIMO Nature Club was to create a platform for DIMO employees to engage in conservation and social welfare. Any employee can become a member if they are passionate about driving the tasks undertaken by the club. DIMO Nature Club focuses on educating members and the community in conservation and in working together to create change makers. The club operates through a code of conduct that governs members and aligns them with DIMO values. This initiative also promotes volunteerism.

sessions. Further, they discovered the power within their selves, as they unleashed their true potential and equipped themselves with the tools and strategies necessary to support the next level growth.

Conserving a Living Planet

MANGROVE RESTORATION

DIMO started a mangrove planting project in Galle, which was initiated with a community survey and planting of 520 saplings of different species of mangroves. The project site is situated in 'Kepu Ela' and 'Nugaduwa' in Galle District and its primary objective is to promote sustainability and wildlife conservation.

Mangroves are crucial as they provide a natural habitat for a diverse range of plants and animals, including migratory birds, fish, and shellfish. Furthermore, they help prevent soil erosion and protect coastal communities from the damaging effects of storms. Mangroves also play a vital role in mitigating climate change by absorbing and storing large amounts of carbon dioxide.

As an organisation, DIMO recognized the importance of planting mangroves to conserve biodiversity, combat climate change, and sustain local communities. This project was initiated in collaboration with MAS Holdings, and the implementation was carried out by the Wildlife Conservation Society of Galle.

SUSTAINABILITY AGENDA 2030

217
Employee Engagement - Sustainability

228
DIMO Nature Club Membership

9
Volunteer Projects

> "Sustainability demands that we measure, monitor and take factual decisions through data, process monitoring and adherence to standards. This drives behavioural change that is needed for a business to evolve."
>
> **Thanusha Chandrasekera**
> Head of Compliance

3,012 m^3
Total Recycled Water

Environmental Projects

LIFE TO OUR BEACHES

DIMO embarked on the 'Life to Our Beaches' project in collaboration with Biodiversity Sri Lanka (BSL) and Marine Environment Protection Authority (MEPA). Through this project, DIMO takes care of two beach stretches in Dikkowita, keeping them clean from plastic pollution. BSL and MEPA provide directions on how to make the best use of the waste collected at these sites. The beach cleaning is carried out by two care takers from the community, who earn an income through this initiative.

COLLECTING PET

DIMO partnering with Eco Spindles started collecting PET for recycling, as a responsible way of disposing plastic waste, while upcycling it to some other product. Currently, this project is operational at four different locations; at Head Office, DIMO 800, Siyambalape and Ratmalana.

PANAMA TURTLE CONSERVATION PROJECT

Our long running turtle conservation project in Panama with Wildlife Ocean Resource Conservation (WORC) is now in its 11th consecutive year. The project has grown over the years and contributed extensively to conserving turtles, especially 3 species that come ashore to nest at Panama: Olive Ridley, Green Turtle and Loggerhead. This initiative resulted in releasing a little over 10,000 hatchlings during 2022/23.

PROJECT 'LIFE'

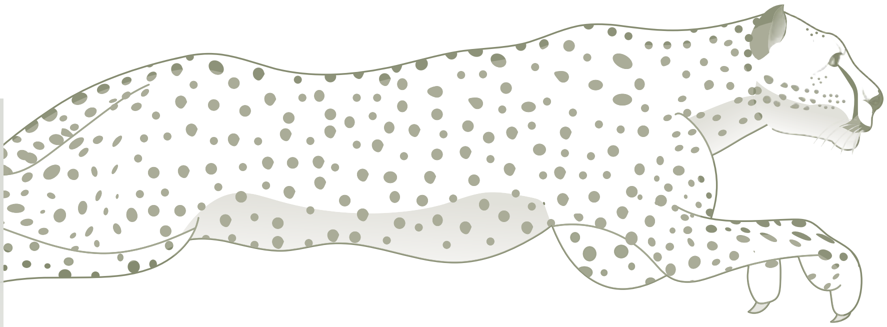
Biodiversity Sri Lanka (BSL) in partnership with the Forest Department, IUCN Sri Lanka and selected private sector partners has undertaken a pilot project to establish the biodiversity baseline in a 12-hectare block of degraded land, in the Kanneliya rainforest in 2018. The site is best described as a degraded rainforest which has been cleared for cultivation and subsequently abandoned resulting in the colonization by the pioneer fern species *Dicranopteris linearis* (Kekeilla). The project completed five years and has a very successful story behind it. DIMO is pleased that the company was able to participate in this iconic project.

TURTLE PATROLLING IN COLOMBO

During the turtle nesting season, DIMO financially supported Pearl Protectors, an organisation dedicated to preserving the environment, with their Turtle Patrolling project in Colombo District. The patrolling took place on a coastal stretch in Colombo south, with the help of 60 volunteers. The project was supported by Sri Lanka Coast Guards and the Department of Wildlife Conservation (DWC) and was responsible for the conservation of approximately 8,000 eggs.

LIFE TO REEF – CORAL RESTORATION

In 2016 with the El Nino effect, the coral reef in Rumassala, Galle was destroyed. In an attempt restore what was lost DIMO embarked on the 'Life to Reef' in collaboration with Wildlife & Ocean Resource Conservation (WORC). The project attempts to restore the reef as naturally as possible, replanting coral polyps and giving them space to regenerate on their own. This is our 5th year engaged in the project and the progress seen so far is encouraging.



TRACTION

We have the necessary
attributes to ensure we
maintain our stance
and stability, even as we
accelerate into the unknown.

consolidated statement of
ESG PERFORMANCE

Table 53 ESG performance statement

	Note	2022/23	2021/22
Environmental Performance			
Resources			
Purchased grid electricity consumption for operations (GJ)	2.1	4,035	11,206
Non-renewable energy consumption for operations (GJ)	2.1	42,883	57,109
Generation of Renewable Energy (GJ)	2.2	11,415	11,739
Water consumption for operations (m^3)	2.3	50,964	98,106
Water recycled and re-used for operations (m^3)	2.3	917	10,316
Waste			
Solid non-hazardous waste (kg)	2.4	156,327	246,996
Solid hazardous waste disposed (kg)	2.4	66,903	108,321
Emission			
Carbon emitted for operations (tCO_2e)	2.5	3,069	5,376
Social Performance			
People & Employees			
Total employees as at 31st March	3.1	1,737	1,875
Employee turnover (%)	3.1	22.05	15.90
Total number of female employees as a percentage of total employees (%)	3.2	12	10
Female employees in decision making roles	3.2	54	50
Employee engagement score (out of 5)	3.3	4.20	4.20
Employee Trust Index (out of 100)	3.4	84	80
Total number of injuries	3.5	9	6
Average training hours per employee	3.6	10.87	23
Total Employee Benefits Distributed (Rs. 000)	3.8	4,470,904	4,088,882
Customers and Society			
Customer Satisfaction Index (%)	3.7	89	92
Duty and tariff paid (Rs. 000)	3.8	2,002,326	4,427,108
Donations and other social contributions (Rs. 000)	3.8	16,965	24,068
Number of apprenticeships provided for technical education	3.9	794	582
Governance Performance			
Values and Ethics			
Employees trained on DIMO's code of conduct	4.1	182	361
Number of whistle-blowers cases reported and solved	4.2	3	3
Anti-harassment helpline cases reported and solved	4.3	6	-
Management Systems			
Number of total audits conducted on management systems	4.4	2	1
Number of non-compliances reported in Management Systems	4.4	0	0
Data Privacy and Security			
Employee trained on data privacy	4.5	182	361

Scan this QR Code to view
Supplementary Information –
Sustainability Report

notes to the consolidated ESG STATEMENT

SECTION 01 – BASIS OF PREPARATION

General Reporting Standards and Principals

This ESG statement is prepared for Diesel & Motor Engineering PLC (DIMO) and for its subsidiaries where DIMO exercises management control. Information pertaining to joint ventures is included where relevant. More information about Group entities can be viewed on page 9.

The Sustainability KPIs that were launched in 2021/22 with the DIMO Sustainability Agenda 2030 – state our long-term strategic KPIs and short term annual KPIs. The indicators reported in the ESG statement are those that are material to the Group and reported based on guidelines provided below:

- GRI Standards issued by the Global Sustainability Standards Board (GSSB)
- International Integrated Reporting Framework (International <IR> Framework) 2021. The company is a Sustainability Alliance Member of the International Sustainability Standards Board.
- SASB Standards that play an important role in the IFRS Foundation's Climate-related Disclosures Exposure Draft and General Requirements for Sustainability-related Disclosures Exposure Draft, 2018-10 version.
- The Greenhouse Gas Protocol Corporate Standard published by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) is used to measure and report on the Group's carbon footprint.
- Code of Best Practices in Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka and The Securities Exchange of Sri Lanka in 2017.

DIMO applies reporting principals highlighted in the GRI standards, SASB and <IR> Framework to ensure the quality of information presented. Key principles followed in the preparation of ESG statements and related information is highlighted below.

Materiality

When deciding the materiality of information to be reported in this statement, DIMO considers information that is material to financial capital providers in determining DIMO's value creation ability in the short, medium, and long-term. Material issues identified from key stakeholders, key aspects arising out of management discussions and key factors considered in PESTEL analysis are sources of inputs for this determination.

An independent stakeholder engagement is carried out every three years and the latest engagement was conducted in year 2022. Refer pages 77 - 80 for more information about Stakeholder Engagement.

Accuracy, completeness, and verifiability of data

Accuracy, completeness, and the verifiability of information is ensured by the accredited management systems that are audited annually by an external independent party. They are:

- ISO 14001:2015 accredited Environmental Management System
- ISO 9001:2015 accredited Quality Management System
- ISO 45001: 2018 accredited Health and Safety Management System

Comparability

Indicators presented in this statement are calculated based on guidelines presented in GRI and SASB sustainability standards. There are no changes to these guidelines from last year unless otherwise specifically stated.

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 02 – ENVIRONMENTAL PERFORMANCE

2.1 Energy & Electricity Consumption

Table 54: Energy consumption for operations

Description	Units	Consumption		
		2022/23	2021/22	Change
Generators	GJ	6,396	781	719%
Petrol for Vehicles	GJ	32,452	30,826	5.27%
Purchased Electricity	GJ	4,035	11,206	-65.25%
Total	GJ	42,883	57,109	13.86%

Energy consumption has increased during the year, with generator fuel being the highest due to generators being used during the daily grid power outages scheduled during the year. Grid electricity consumptions reduced drastically.

Basis for Measurement

The energy consumption of DIMO consists of consumption for power and fuel for its operations. Other than the renewable energy generated internally, and the hydro power and coal generated power obtained through public electricity lines (grid electricity), all other energy sources were non-renewable sources such as petrol and diesel. The measurement is calculated based on the meter readings and invoices. As some invoices for March 2023 is missing in some locations an average is taken for the month of March.

2.2 Renewable Energy Generation

Table 55: Renewable energy generation at DIMO

Location		Capacity (kWh)	Energy Generation (GJ)	
			2022/23	2020/21
DIMO Embilipitiya Solar PV Plant	Ground Mounted	1,000	5,070	5,258
DIMO 800, Mercedes Benz Showroom	Rooftop Mounted	700	2,753	2,718
DIMO Weliweriya	Rooftop Mounted	807	2,894	2,947
DIMO Siyambalape System	Rooftop Mounted	237	698	816
Total		2,744	11,415	11,739

Basis for Measurement

Renewable energy is generated through solar power systems installed on the roof tops of three key locations in the Western Province in addition to the solar system installed at Embilipitiya under a power purchasing agreement. Total capacity of these systems is 2,744 kW. The measurement is based on meter readings of the system installed to facilitate solar generation at Weliweriya, for 4 months meter readings are unavailable.

As a responsible corporate that takes part in the country's sustainable development, DIMO has initiated implementing a GHG emission management system with ISO 14064 certification, covering all its operations. In line with its Sustainability Agenda 2030, the program will cover DIMO's key operations.

1.21 GJ

Non-renewable energy consumption to generate one million turnover

0.09 Tons

Emission consumption to generate one million turnover

1.44 m^3

Water consumption to generate one million turnover

2.3 Water Consumption

Table 56: Water consumption for operations

Description	Units	Consumption 2022/23	2021/22	Change
Municipal Water	m^3	34,854	61,715	43.52%
Ground Water	m^3	15,193	25,994	41.55%
Recycled Water Re-used	m^3	917	10,202	91.01%
Total	m^3	50,964	97,992	47.99%

Use of municipal water was lower due to more employees working from home instead of office due to the political instability and the economic crisis that faced the country during 2022.

Basis for Measurement

DIMO's main water source is Municipal water. Water used in Colombo Head Office, Siyambalape, Anuradhapura and DIMO 800 MB centre are recycled as per local environmental regulations and re-used where possible. DIMO 800 MB centre water consumption is measured based on meter readings and invoices.

2.4 Waste and Effluents

Table 57: Waste generated from operations

Description	Hazardous / Non-Hazardous	Disposal Method	Units	Waste Generated 2022/23	2021/22	Change
Cotton Waste	Hazardous	Incinerate	kgs	14,298	21,061	32.11%
Paint Tins	Hazardous	Incinerate	kgs	758	934	18.84%
Sludge	Hazardous	Incinerate	kgs	41,640	76,640	45.67%
Waste oil	Hazardous	Reuse	m^3	57	67	22.07%
Contaminated paper	Hazardous	Incinerate	kgs	9,760	5,677	-71.02%
Batteries	Hazardous	Recycle	Units	8	199	95.98%
Saw dust	Hazardous	Incinerate	kgs	447	4,009	88.85%
Cardboard boxes	Non-Hazardous	Recycle	kgs	14,873	50,141	70.34%
Metal Scrap	Non-Hazardous	Recycle	kgs	9,142	40,957	77.68%
Food/Organic waste	Non-Hazardous	Reuse	kgs	22,982	12,896	78.21%
Pallet racks	Non-Hazardous	Reuse	kgs	51,900	90,285	42.52%
Plastic	Non-Hazardous	Recycle	kgs	2,514	3,063	17.92%
Polythene	Non-Hazardous	Recycle	kgs	19,296	39,377	51%
Filters	Non-Hazardous	Recycle	Units	12,751	28,077	54.59%
Metal Dust	Non-Hazardous	Reuse	kgs	10,497	5,056	107.61%
Tyres	Non-Hazardous	Recycle	Units	544	864	37.04%
A4 Paper	Non-Hazardous	Recycle	kgs	11,828	5,222	126.5%

NOTES TO THE CONSOLIDATED ESG STATEMENT

There is a significant reduction in the waste generation compared to 2021/22 due to physical offices operating less during the political instability in the country.

Basis for Measurement

Waste is collected and segregated using the colour coded bins placed at DIMO's premises. Waste is measured as the sum of all the waste disposed at different locations based on the weight logs and invoices received for paid waste disposal. Waste is disposed for re-use, recycled, or incinerated for energy recovery through suppliers approved by the Central Environmental Authority (CEA). Wastewater is treated, reused and the balance is released to public drainage systems after they reach approved PH level, maintaining local regulations. Only the total solid waste in kilograms are taken into consideration of solid hazardous and non-hazardous waste.

2.5 Emission

Table 58: Carbon Emission from operations

Description	Units	2022/23		2021/22	
		Consumption	Emission tCO_2e	Consumption	Emission tCO_2e
Scope 1			2,309		3,032
Diesel for vehicles - employee	Ltr	-	-	19,789	52
Diesel for generator	Ltr	948,896	2,192	774,516	1,765
Petrol for vehicles - employee	Ltr	43,656	117	163,015	278
Diesel for vehicle - delivery	Ltr	-	-	116,510	266
Petrol for vehicle - delivery	Ltr	-	-	256,027	670
Scope 2			261		2,095
Electricity	kWh	1,120,846	261	3,112,685	2,095
Scope 3			498.6		249
Fuel utilised by outsourced party – Diesel	Ltr	15,209	407	73,791	193
Business Travel			91		14
Fuel utilised by outsourced party – Petrol	Ltr	287	0.6		
A4 Consumption	kg	-	-	15,785	42
Total Emission			3,069		5,376

Basis for Measurement

Emissions are limited to CO_2 emissions from energy and do not include other greenhouse gases. The methodology of measurement of the emissions follows the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (Revised Edition). Reporting is primarily under Scopes 1 and 2 with some elements of the optional Scope 3, according to data availability. Invoices and meter readings are used when measuring the consumption. Where exact quantities are not available, assumptions are used to arrive at estimated quantities of consumption. It has been assumed that all employees' vehicles are fuelled by petrol, due to the unavailability of specific details of vehicle types and fuel types.

Emissions from petrol or diesel provided to employees is calculated based on the actual usage of the fuel cards (A card that can be used to pump fuel from fuel stations) given to employees. Assumptions are used to identify the litres of usage based on the prevailing fuel prices each month.

Emissions from business travel is estimated based on standard mileage between airports along with the passenger travelling class.

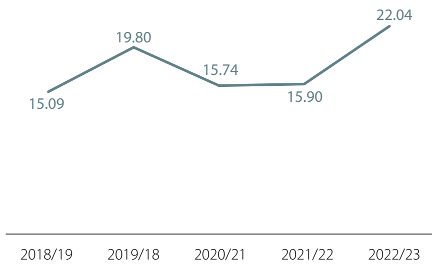
SECTION 03 – SOCIAL PERFORMANCE

3.1 Number of employees and employee turnover

Table 59: Employee Composition as at 31st March;

Status	Gender	2023	2022
Contract	Female	11	12
	Male	109	179
Permanent	Female	206	182
	Male	1,411	1,502
Grand Total		1,737	1,875

Graph 25:
Employee Turnover



The company manages employee turnover levels at around 14% to 16%. 2022/23 shows a high employee turnover due to the country's unstable political and economic conditions during that period.

Basis of Measurement

The number of employees is recorded as all employees except interns and those who undergo apprenticeships as at the year-end.

The rate of employee turnover is measured as the number of employees who left the Group during the financial year including those whose contracts were terminated, divided by the average number of employees for the financial year.

3.2 Employee Diversity

Table 60: Employee Diversity as at 31st March 2023

	Directors		Senior Mgt.		Middle Mgt.		Executive		Clerical/ Supervisory		Manual		Non-Ex-Contract		Total Employees	
Age Group	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**	**M**	**F**
<20									3	1	1				4	1
21-30			1	1	33	10	136	59	105	22	156	1	22		453	93
31-40	1		5	3	167	21	247	27	81	16	95	1	4		600	68
41-50			29	3	74	12	138	4	46	11	51		3	1	341	31
51<	9	1	10	1	24	2	36	6	14	10	11		18	4	122	24
Total	10	1	45	8	298	45	557	96	246	60	314	2	47	5	1,520	217

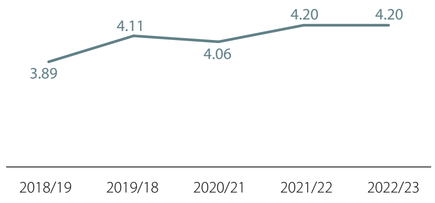
Basis of Measurement

Employee diversity is a measure of total female employees as a percentage of total male employees. Senior management includes employees above the senior manager designation, and middle management includes employees above the assistant manager designation but below senior manager. Both middle management and senior management employees are considered employees in decision-making capacities.

3.3 Employee Engagement Score

Employee engagement score during the last five years

Graph 26:
Employee Engagement Score in Last Five Years



In the financial year 2021/22, DIMO achieved its highest ever employee engagement score – which was maintained in 2022/23. This is a result of an increased employee engagement activities.

Basis of Measurement

The employee engagement survey is conducted internally and is open to all employees. The survey includes 12 questions based on the internationally recognized Gallup Q12 Employee Engagement Questionnaire. This year, 83% of all employees responded. The survey is carried out by the HR division, with proper mechanisms in place to ensure the integrity and independence of the results.

The Trust Index demonstrate the effectiveness of DIMO's employment practices in the eyes of employees. DIMO was able to achieve an average score of 84 this year, from 80 scored in 2022.

NOTES TO THE CONSOLIDATED ESG STATEMENT

3.4 Employee Trust Index

Table 61: Employee trust index – Comparison with the averages of Sri Lanka's Best 50 companies

Gender	DIMO	Sri Lanka's Best 40 Companies
I would strongly endorse my organisation to friends and family as a great place to work	87	92
Management is honest and ethical in its business practices	86	93
Taking everything into account, I would say this is a great place to work	88	93
I'm proud to tell others that I work here	94	95
This is a psychologically and emotionally healthy place to work	80	89

Trust Index demonstrate the effectiveness of DIMO's employment practices in the eyes of employees. DIMO was able to achieve an average score of 84 this year, improved from 80 in 2021/22. Increased efforts to closely engage with employees despite the challenges posted by the country's instability was the key reason for this improvement.

Basis of Measurement

The Employee Trust Index is an independent survey carried out by Sri Lanka's Great Place to Work Institute. The survey is open to all employees and this year DIMO recorded a respondent rate of 90% of all employees. The trust model consists of five aspects, namely credibility, respect, fairness, pride, and camaraderie.

3.5 Employee Health and Safety

Table 62: Employee Injuries and lost working days

Injuries/Diseases/Fatalities/Lost Working Days/Absenteeism	2022/23		2021/22	
	Rate	Total No.	Rate	Total No.
Injuries	0.52%	9	0.0002%	6
Occupational diseases	Nil			Nil
Lost working days	0.02%	82	0.0013%	46
Work related fatalities	No			Nil

The reduction in injuries reflects increased attention to health and safety. DIMO was able to get its occupational health and safety management system accredited by ISO 45001:2018 in April 2022.

Basis of Measurement

An injury is defined as a non-fatal or fatal injury arising out of, or during, work. Injury rate is calculated based on the frequency of injuries, relative to the total time worked by all workers during the reporting period.

An occupational disease is defined as disease arising from a work situation or activity, or from a work-related injury (Examples - stress or regular exposure to harmful chemicals).

Lost working days are the number of days that work cannot take place (and are thus 'lost') because of a worker or workers being unable to perform their usual work due to an occupational disease or accident.

Injuries and occupational diseases are recorded based on the logs maintained by the medical officer of the respective locations.

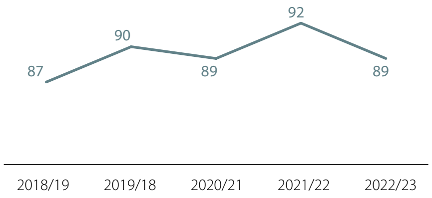
54

Females in Leadership Roles

84

Employee Trust Index Score

Graph 27:
Customer Satisfaction Index



3.6 Employee Training and Development

Table 63: Average training hours per employee

Category		**No. of Employees**	**No. of Training hours**	**Per Employee Training hours per Year**
Board of Directors	M	1	35	35
	F			
	Total			
Senior Management	M	23	97	4.22
	F	3	12	4
	Total			
Middle Management	M	83	857.5	10.33
	F	27	332	12.30
	Total			
Junior Management	M	29	300	10.34
	F	17	320.5	18.85
	Total			
Executive	M	123	1190.5	9.68
	F	32	558	17.44
	Total			
Clerical/Supervisory	M	4	21	5.25
	F	12	57	4.75
	Total			
Sales	M	1	35	35
	F			
	Total			
Manual	M	74	847	11.45
	F			
	Total			
Total	M	388	3383	10.01
	F	91	1279.5	14.06
	Total	**429**	**4662.5**	**10.87**

The focus of the year was to recover from the lockdowns due to political instability in the country and planning out the business process re-engineering programme. Trainings were thus intentionally limited to mission-critical aspects.

Basis of Measurement

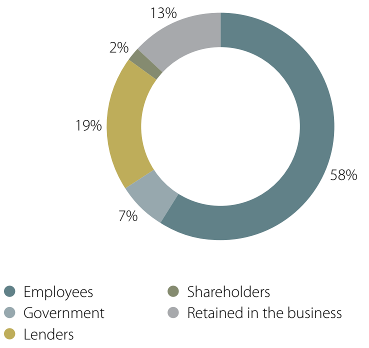
Training hours per employee calculated is based on total hours of training provided to each employee category and the total employees trained. Employee training hours are measured based on training logs maintained by the HR Division.

Basis of Measurement

Customer satisfaction is measured using a questionnaire filled out by customers at each business unit level, which is then consolidated at segment level. For each product and service type, the questionnaire addresses areas such as delivery time, employee interaction levels, and quality covering all types of customers. The dedicated CRM division of the Group conducts the survey via telephone, email, and where relevant, one to one interviews. Refer Business Reports from page 30 - 41 for segment for segment-wise breakup of the customer satisfaction index.

> Monetised value increased by 7.5% mainly due to the increase in value distributed to employees. This reflects business operations returning to normalcy post political instability.

Graph 28:
Monetised Value Distributed



NOTES TO THE CONSOLIDATED ESG STATEMENT

3.8 Statement of Monetised Value Added and Distributed

Table 64: Statement of monetised value created and distributed

For the period of ('000)		**Consumption**		
		2022/23		**2021/22**
Gross turnover		35,299,201		37,507,480
Other income		295,694		220,499
Less: cost of material and services bought in		(24,172,531)		(27,105,298)
Monetised Value Created		11,422,364		10,622,681
Distribution of Value Added				
Employees	39.14%	4,470,904	38%	4,088,882
Government	23.61%	2,696,486	42%	4,427,108
Lenders	27.46%	3,336,991	8%	842,042
Investment in social and environmental progress	0.15%	16,966	0%	26,494
Shareholders	1.01%	115,000	1%	110,955
Retained in the business	8.63%	985,236	11%	1,127,200
Depreciation set aside	3.53%	402,872	4%	383,785
Profit retained	5.10%	582,364	7%	743,415
		11,422,364		10,622,681

Basis of Measurement

The statement of monetised value created and distributed measures the financial value created by the Group and how the financial value thus created is distributed amongst different stakeholders, thereby facilitating economic and social progress. Financial transactions recorded in the accounting system are the basis for this calculation.

Table 65: Duty and Tariffs Breakdown

(Rs. 000)	**2022/23**	**2021/22**
Duty on imports	2,002,326	3,577,813
Corporate Income tax	175,974	417,628
Other taxes including value added tax	518,186	431,667
Group Total	2,696,486	4,427,108

Basis of Measurement

Duty on imports is the custom tariff the Group pays when clearing goods imported into Sri Lanka. Corporate income tax is the direct tax paid to the government on the taxable income for the financial year. The basis on which theses taxes are calculated is disclosed from page 148 in financial statements. The amounts are extracted from the financial accounting system and recorded based on invoices.

Table 66: Donations and other social contributions

(Rs. 000)	**2022/23**	**2021/22**
Environmental and biodiversity projects	11,672	4,598
Social projects and donations	596	19,471
Investments in DATs	4,697	2,425
Group Total	16,965	26,494

Basis of Measurement

Donations include the Group's voluntary contributions to social progress or philanthropic activities throughout the year. Investments in DIMO Academy of Technical Skills (DATS) include investments made by the Group in students enrolled in the free automobile course. The amounts are extracted from the financial accounting system and recorded based on invoices.

Our commitment towards social and environment contribution has been mainly focused environment and community projects as well as trainings for youth.

41

#DATS Enrolled Students

678

#Internships

3.9 Apprenticeships provided for technical education

Table 67: Number of trainees enrolled during the year

	2022/23		2021/22	
(Rs. 000)	**F**	**M**	**F**	**M**
DATS	4	37	2	47
Universities/Technical institutions	118	560	97	399
Other	4	71	9	28
Total	126	668	108	474

Enrolment of female trainees was increased due to enhanced focus on diversity and inclusion as well as promotion of women in unconventional job roles.

Basis of Measurement

Apprenticeships for technical education include paid and unpaid internships for youth who have completed or are following vocational or technical education courses. Many of these enrolments are for apprenticeships at DIMO's vehicle service workshops. The basis for measurement is based on logs maintained by HR divisions.

SECTION 04 – GOVERNANCE PERFORMANCE

4.1 Trainings on Values and Ethics

Basis of Measurement

Demonstration of values and ethics by employees is defined by standards of leadership and DIMO's code of conduct. Every recruit is trained on the code of conduct and the standards of leadership. The measurement is based on logs maintained by the HR division.

4.2 Whistle-blower cases reported and solved

Basis of Measurement

Whistle-blower policy of the organisation encourages employees to raise their concerns related to, but not limited to, unlawful acts, illegal acts, acts that are below DIMO's standards and any harassment related act, directly to the Group Chief Executive Officer, Chairman or the Head of Internal Audit. Such cases reported and solved are the basis for this measurement.

4.3 Anti-harassment helpline cases reported and solved

Basis of Measurement

As a part of DIMO's Respectful Workplaces Program, an Anti-Harassment Helpline has been established and is managed by an IFC-trained independent consultant who receives complaints and conducts inquiries in a confidential, impartial, and credible manner, in accordance with the IFC Survivor-Centred approach. Following inquiries, the Consultant advises and recommends innovative and creative initiatives inspired by international standards and best practices and tailored to the organisation's needs, geared at both individual relief and systemic change.

Our Anti-harassment Helpline governs to establish and manage DIMO's Respectful Workplace Program.

4.4 Management Systems

Management systems are the processes, procedures and methodology in place with defined KPIs to ensure that the desired results are delivered in the area managed by the system.

Table 68: management system

Management System	Areas Governed	Certification
Environmental Management System	Consistent with the organisation's environmental policy, the intended outcomes of an environmental management system include enhancement of environmental performance, fulfilment of compliance obligations, and achievement of environmental objectives.	ISO 14001:2015
Quality Management System	Needs to demonstrate the ability to consistently provide products and services that meet customer needs and applicable statutory and regulatory requirements. Aims to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.	ISO 9001:2015

NOTES TO THE CONSOLIDATED ESG STATEMENT

Management System	Areas Governed	Certification
Occupational Health and Safety Management System	Consistent with the organisation's OH&S policy, the intended outcomes of an OH&S management system include continual improvement of OH&S performance, fulfilment of legal requirements and other requirements, achievement of OH&S objectives.	ISO 45001: 2018
GHG Emission Management System	Greenhouse gas and climate change management and related activities	ISO 14064: 1 (2018) ISO 14064: 2 (2019)

Basis of Measurement

Environmental and social factors are integrated into daily business operations and decision making through the management systems. To ensure the proper operation of the management systems, one internal and one independent external audit are carried out every year. A dedicated team – the DIMO Compliance team - is employed to ensure this mandate.

Non-compliances reported in these management systems during independent audits are extracted from audit reports.

4.5 Data privacy and Security

Basis of Measurement

Governance of Information Security rests with a separate Information Security unit attached to the Internal Audit division. The division consists of information security experts and works with the intention of safeguarding information assets of the company.

Data privacy of customers is ensured by controlling the access to customer data bases in the ERP system.

Periodic audits are conducted to ensure that data security mechanisms are working properly. These include general control audits, internal and external vulnerability assessments, audits of firewalls, audit of access points and end points security audits.

Each employee that joins DIMO is educated on DIMO data privacy policy during their orientation.

Apprenticeships for technical education include paid and unpaid internships for youth who have completed or are following vocational or technical education courses and internships at DIMO.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF DIESEL & MOTOR ENGINEERING PLC ON ESG STATEMENT

KPMG
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We have been engaged by the Directors of Diesel & Motor Engineering PLC ("the Company") to provide limited assurance in respect of the Environment, Social & Governance indicators ("ESG indicators") in the ESG Statement for the year ended 31 March 2023 ("ESG Statement"). The ESG indicators are included in the Company's Integrated Annual Report for the year ended 31 March 2023 ("The Report").

The Limited Assurance ESG indicators covered by our engagement are

Limited Assurance ESG indicators	Integrated annual report page
Environmental indicators	98 - 100
Social indicators	101 - 105
Governance indicators	105 - 106

Basis for Conclusion

We conducted our work in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the Institute of Chartered Accountants of Sri Lanka. In accordance with standard, we have;

Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies;

Used our professional judgement to plan and perform the engagement to provide limited assurance that we are not aware of any material misstatements in the Company's ESG Statement, whether due to fraud or error; and

Considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Conclusion

Based on the procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Environment, Social & Governance indicators included in the ESG Statement, as defined above, for the year ended 31 March 2023, is not presented, in all material respects, in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- The preparation and presentation of the Limited Assurance ESG Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.
- Determining that the criteria is appropriate to meet the needs of intended users, being the Company's members and any other intended users. This includes disclosing the criteria, including any significant inherent limitations.
- Establishing such internal controls as management determines are necessary to enable the preparation of the Limited Assurance ESG Indicators that are free from material misstatement whether due to fraud or error.
- Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.
- Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.
- Informing us of any known and/or contentious issues relating to the ESG Statement.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF DIESEL & MOTOR ENGINEERING PLC ON ESG STATEMENT

KPMG

Our responsibility

Our responsibility is to carry out a limited assurance engagement in relation to the ESG statement and to express a conclusion based on the work performed.

We have complied with the independence and ethical requirements in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement also included assessing the appropriateness of the ESG Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the ESG Indicators within the ESG Statement, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the ESG Indicators.

Limited assurance on the ESG indicators in the ESG statements

Our limited assurance engagement on the ESG Statement consisted of making enquiries, primarily of persons responsible for the preparation of the ESG Statement, and applying analytical and other procedures, as appropriate. These procedures included:

1 Interviews with senior management and relevant staff at corporate and selected site level concerning ESG strategy, framework and policies for material issues, and the implementation of these across the business;

2 Enquiries of management to gain an understanding of the Company's process for determining material ESG issues for the Company's key stakeholder groups;

3 Enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance ESG Indicators, including the aggregation of the reported information;

4 Interviews with relevant staff responsible for developing the content (text and data) within the Company's ESG Statement to understand the approach for management, monitoring, collation and reporting of such information and the accuracy, completeness and existence of reported text and data within the Company's ESG Statement;

5 Comparing the ESG Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;

6 Reading the Limited Assurance ESG Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the ESG indicator performance of the Company;

7 Reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

8 Reviewing Board minutes to ensure consistency with the content of the ESG statement.

9 Obtaining a letter of representation from management dated 05 June 2023 on the content of the Company's ESG statement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the ESG Statement.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's ESG Statement is prepared in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent limited assurance report, or for the conclusions we have reached.

kpmg

Chartered Accountants

Colombo
05th June 2023

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF DIESEL & MOTOR ENGINEERING PLC

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the specified Sustainability Indicators in the Diesel & Motor Engineering PLC 2023 Integrated report, which has been prepared by the management in accordance with the criteria for the year ended 31 March 2023.

Information Subject to Assurance

We have been engaged by the Directors of Diesel & Motor Engineering PLC ("the Company") to provide limited assurance in respect of the Sustainability Indicators in the Company's Integrated Report for the year ended 31 March 2023 (the "Report"). The Scope of work comprised limited assurance over the content on material aspects and data underlying the indicators as specified in the table below.

The Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated annual report page
ESG Highlights	6
Information provided on following	
Financial Capital	44 - 47
Manufactured Capital	48 - 49
Human Capital	50 - 51
Social & Relationship Capital	54 -55
Intellectual Capital	52 - 53
Natural Capital	56

Criteria

The Company's 2023 Sustainability Indicators has been prepared and presented by the management in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and the Sustainability Accounting Standards Board (SASB) Framework for the sectors denoted as 'Multiline and Specialty Retailers & Distributors', 'Agricultural Products', and 'Engineering & Construction Services'.

Basis of our Conclusion

We conducted our work in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the Institute of Chartered Accountants of Sri Lanka. In accordance with standard, we have;

Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies;

Used our professional judgement to plan and performed the engagement to provide limited assurance that we are not aware of any material misstatements in the Sustainability Indicators, whether due to fraud or error; and

Considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Summary of Limited assurance procedures performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- Interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Enquiries of management to gain an understanding of Company's processes for determining material issues for Company's key stakeholder groups;
- Enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Sustainability Indicators;

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF DIESEL & MOTOR ENGINEERING PLC

KPMG

- Enquiries about the design and implementation of the systems and methods used to collect and report the Sustainability Indicators, including the aggregation of the reported information
- Comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- Assessing whether the financial indicators reflected in the Report have been extracted from the audited financial statements of the Company.
- Comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report
- Comparing the Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with the sustainability performance of the Company;
- Reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

How the Standards Defines Limited Assurance and Material Misstatement

A limited assurance engagement is restricted primarily to inquiries and analytical procedures. The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Misstatements, including omissions are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Diesel & Motor Engineering PLC.

Management's Responsibility

Management is responsible for determining that the criteria is appropriate to meet their need and the preparation and presentation of the Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and the Sustainability Accounting Standards Board (SASB) Framework, for the sectors denoted as 'Multiline and Specialty Retailers & Distributors', 'Agricultural Products', and 'Engineering & Construction Services'.

These responsibilities include establishing internal controls as management determines are necessary to enable the preparation and presentation of the Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a limited assurance in relation to the Sustainability Indicators included in the Report for the year ended 31 March 2023, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with the independence and ethical requirements in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and the Sustainability Accounting Standards Board (SASB) Framework, for the sectors denoted as 'Multiline and Specialty Retailers & Distributors', 'Agricultural Products', and 'Engineering & Construction Services' Guidelines. and for no other purpose or in any other context.

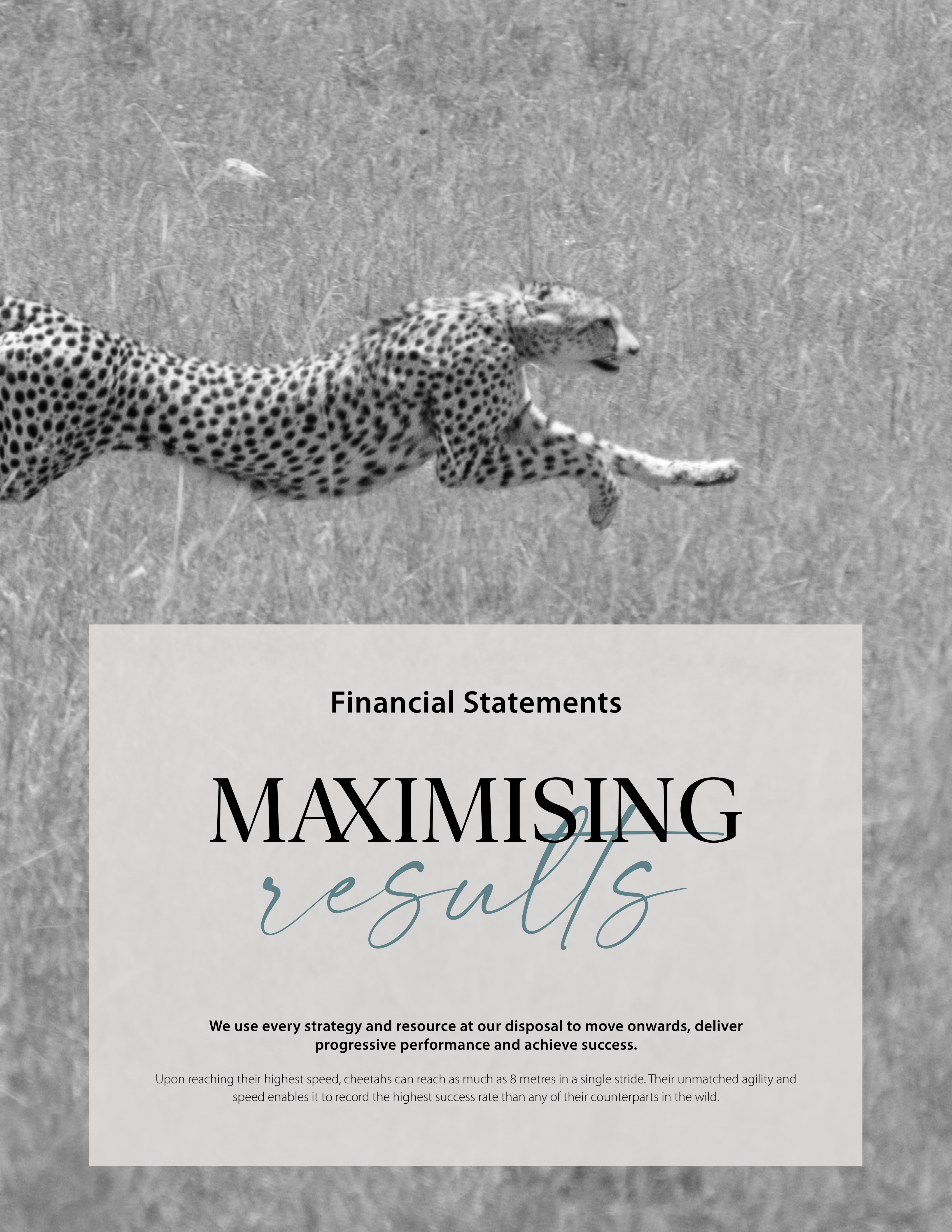
Restriction on use of this assurance report

This report has been prepared for the Directors of the Company for the purpose of providing an assurance conclusion on the Sustainability Indicators included in the Report for the year ended 31 March 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of the Company, or for any other purpose than that for which it was prepared. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent limited assurance report, or for the conclusions we have reached.

kpmg

Chartered Accountants

Colombo
05th June 2023



Financial Statements

MAXIMISING *results*

We use every strategy and resource at our disposal to move onwards, deliver progressive performance and achieve success.

Upon reaching their highest speed, cheetahs can reach as much as 8 metres in a single stride. Their unmatched agility and speed enables it to record the highest success rate than any of their counterparts in the wild.

FINANCIAL CALENDAR - 2022/23

Interim Financial Statements – Submission to the Colombo Stock Exchange (CSE)

Three months ended 30th June 2022	15th August 2022
Six months ended 30th September 2022	15th November 2022
Nine months ended 31st December 2022	13th February 2023
Twelve months ended 31st March 2023	31st May 2023

Authorisation for issue of Audited Financial Statements for 2022/23	05th June 2023
Publication of Annual Report for the financial year ended 31 March 2023	05th June 2023
78th Annual General Meeting to be held on	27th June 2023

Dividends

First and final dividend for 2021/2022 paid on	28th June 2022
First and final dividend for 2022/2023 proposed to be paid on	04th July 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors take pleasure in presenting to the shareholders the Integrated Annual Report of the Company for the financial year ended 31st March 2023 comprising the Chairman's Message, CEO's Message, Management Commentary covering Business Reports and Capital Reports, Corporate Governance, Risk Management, Sustainability Reports, Independent Assurances on the Integrated Report and ESG Statement, Statements of Responsibility, Auditors' Report, Audited Financial Statements and other relevant information covered in Introductory sections.

The Disclosures required by the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange are given on pages 117 - 118 and form part of this Annual Report of the Board of Directors.

The Annual Report of the Company including the Annual Report of the Board of Directors was adopted by the Board of Directors on 05th June 2023. The Company's Annual Report 2022/23 will be made available to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the stipulated time.

GROUP STRUCTURE AND PRINCIPAL BUSINESS ACTIVITIES

The Group Structure is available on page 9.

A brief description of the nature of the principal business activities of the Group and the Company are provided in Note 2.2 to the Financial Statements on pages 132 -133.

STATEMENTS OF ASPIRATION, PURPOSE AND VALUES

The Company's purpose and values are available on page 8. The Directors and all employees conduct their activities with the highest level of integrity and ethical standards in achieving Group strategies. All employees are given a copy of the Code of Business Conduct and Ethics of the Company and are required to adhere to it.

THE BOARD OF DIRECTORS

The Board of Directors of the Company consisted of thirteen members as at 31st March 2023. Information relating to the Directors of the Company is available at https://www.dimolanka. com/investor-relations/.

The names of the Directors of Subsidiary Companies are given on page 206.

New Appointments and Retirements/Resignations of Directors

The following Directors were appointed to the Board with effect from 30th May 2022.

Table 69: Director Appointment

Name of the Director	Executive/Non-Executive Status
C.R. Pandithage	Executive
D.N.K. Kurukulasuriya	Executive

No Directors retired or resigned from the Board during the financial year.

Senior Independent Director

A. D. B. Talwatte functioned as the Senior Independent Director of the Company during the financial year.

RETIREMENT OF DIRECTORS BY ROTATION AND THEIR RE-ELECTION

A.G.Pandithage, C.R. Pandithage, Dr.H.Cabral and M.V.Bandara retire by rotation in terms of the Article 66 of the Articles of Association of the Company and are eligible for re-election.

The agenda for the Annual General Meeting includes four separate ordinary resolutions to be taken up in terms of Section 210 of the Companies Act No.07 of 2007 to re-appoint A.R. Pandithage, A.M. Pandithage, J.M. De Silva and S.C. Algama, who are all over 70 years of age.

REVIEW OF PERFORMANCE

A review of the performance and future outlook of the Group is available in the Chairman's Message and Strategic review by the Group Chief Executive Officer on pages 10 - 13.

INCORPORATION OF SUBSIDIARIES DURING THE YEAR

Incorporation of DIMO Bangladesh Pvt. Ltd

On 10th May 2022, Diesel & Motor Engineering PLC incorporated DIMO Bangladesh Pvt. Ltd. as a Limited Company in Bangladesh by investing Rs. 214 million with a 99.99% equity interest. The principal business activities of the Company. include the sale and after sales services of heavy machinery and equipment.

Incorporation of DIMO Global Pte. Ltd.

On 31st August 2022, DIMO (Private) Limited incorporated DIMO Global Pte. Ltd. as a Private Company Limited by Shares in Singapore. The principal business activities of the Company are providing Engineering Design and Management Consultancy Services. No share issue has been made by the Company during 2022/23.

Incorporation of DIMO Australia Pty Ltd

On 04th October 2022, Diesel & Motor Engineering PLC incorporated DIMO Australia Pty Ltd under the Corporations Act 2001 in Australia. The Company is a Limited by Shares. The principal business activities of the Company include Sales of Recreational Vehicles. No share issue has been made by the Company during 2022/23.

ACQUISITIONS OF SUBSIDIARIES DURING THE YEAR

Acquisition of Tropical Health Food (Private) Limited

On 25th May 2022, Diesel & Motor Engineering PLC acquired 94.50% of ordinary shares of Tropical Health Food (Private) Limited by investing Rs. 450 million. The principal business activities of the Company includes processing and preparing fruits and vegetables for export market.

Acquisition of Virgin Oil International (Private) Limited

On 02nd August 2022, Diesel & Motor Engineering PLC acquired 51% of ordinary shares of Virgin Oil International (Private) Limited by investing Rs. 40 million. The principal business activities of the Company includes producing, processing and exporting coconut-based products.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Acquisition of Mansel (Ceylon) (Private) Limited

On 28th September 2022, Diesel & Motor Engineering PLC acquired 75% of ordinary shares of Mansel (Ceylon) (Private) Limited by investing Rs. 179.9 million. The principal business activities of the Company includes importation, sale, and distribution of pharmaceutical products.

Acquisition of Associated Laboratories (Private) Limited

On 28th September 2022, Diesel & Motor Engineering PLC acquired 75% of ordinary shares of Associated Laboratories (Private) Limited by investing Rs. 45 million. The principal business activities of the Company includes importation, sale, and distribution of pharmaceutical products.

FINANCIAL STATEMENTS

The Financial Statements of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/ LKASs) and comply with requirements of the Companies Act No. 07 of 2007 and, fulfils all disclosure requirements stipulated by above and the Listing Rules of the Colombo Stock Exchange. The Financial Statements for the year ended 31st March 2023 signed on behalf of the Board by the Chairman/Managing Director and Director/Chief Financial Officer (a member of the Board), are given on page 128.

FINANCIAL RESULTS AND APPROPRIATIONS

Turnover

The total gross Group turnover generated by the six business segments was Rs. 35,299 million (2021/22 - Rs. 37,507 million), while the turnover of the Company was Rs. 26,668 million (2021/22 – Rs. 30,087 million). A segment wise analysis is given in Note 4.2 appearing on pages 142 - 144.

Profit and Appropriations

The group profit after tax and group profit attributable to equity holders of the parent for the year were Rs. 698 million (2021/22 - Rs. 854 million) and Rs. 579 million (2021/22 – Rs. 702 million) respectively, whilst the profit after tax of the Company was Rs. 644 million (2021/22 – Rs. 583 million).

The Group's total comprehensive income attributable to parent was Rs. 33 million (2021/22 – Rs. 753 million) and the Company's total comprehensive income for the year was Rs. 132 million (2021/22 - Rs. 622 million).

Dividend and Reserves

The Company paid a first and final dividend of Rs.12.50 per share for the year ended 31st March 2022 on 28th June 2022.

A first and final dividend of Rs. 10.00 per share for the year ended 31st March 2023 was approved by the Board on 31st May 2023 and is payable on 04th July 2023. The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 immediately after the said distribution is made.

The Reserves of the Group as at 31st March 2023 amount to Rs. 14,356 million (2021/22 – Rs.14,440 million). The composition of the reserves is shown in the Statement of Changes in Equity in the Financial Statements.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Sections 7.10.3.(b). and 7.10.4.(e). of the Listing Rules of the Colombo Stock Exchange taken together specify that a Non- Executive Director shall not be considered independent if he/she has served on the Board for a period of nine years from the date of the first appointment, unless the Board taking into account all the circumstances, is of the opinion that the Director is nevertheless 'independent' and specify the criteria not met and the basis of its determination in the Annual Report.

Dr. H. Cabral completed nine years in office as a Non- Executive Director on 30th September 2015.

The Board recognizes that Dr. H. Cabral has acted in an independent manner over the years bringing his independent judgement upon matters relating to the Board Committees and the Board. The Board is of the opinion that there is no reason to believe that his status as Independent Director has been impaired in any manner due to his tenure in office. Having taken into account all relevant aspects, the Board determined that Dr. H. Cabral continue as 'Independent Non-Executive Director' of the Company.

BOARD COMMITTEES

The Board of Directors has appointed four Committees to assist the Board, namely Audit Committee, Related Party Transactions Review Committee, Remuneration Committee and Nomination Committee. While the first three committees are required by the Listing Rules of Colombo Stock Exchange, functioning of all four committees is recommended by the Code of Best Practices on Corporate Governance – 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The Terms of Reference of each committee is set by the Board.

BOARD AND BOARD COMMITTEE MEETINGS

The number of Board meetings held and the number of meetings attended by the Directors are given on page 64. The number of Board Committee meetings held and the number of meetings attended by the members are given on page 65.

REVIEW OF PERFORMANCE OF THE BOARD AND BOARD COMMITTEES

The performance of the Board and of its committees was reviewed during the year by circulating a questionnaire among the Directors. Outcomes of the questionnaire were discussed during the Board Meeting, and it was concluded that performance of the Board and all four Committees was satisfactory.

DIRECTORS' REMUNERATION

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

DIRECTORS' SHAREHOLDINGS

Shareholdings of Directors and their spouses, as required by Listing Rules of the Colombo Stock Exchange, are disclosed under "Investor Relations" section on page 75.

Dr. H. Cabral, B.C.S.A.P Gooneratne, D.N.K.Kurukulasuriya, P.K.W. Mahendra, S. R. W. M. C. Ranawana, J. M. De Silva and A. D. B. Talwatte who are Directors of the Company, did not hold any shares of the Company as at 31st March 2023.

INTEREST REGISTER AND DIRECTORS' INTERESTS IN CONTRACTS/ PROPOSED CONTRACTS

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

During the year, entries made in the Interest Register consisted of Directors' interests in contracts, remuneration paid to the Directors and renewal of Directors' and officers' liability insurance. The Interest Register is available at the registered office of the Company, in keeping with the requirements of Section 119 (1) (d) of the Companies Act No. 07 of 2007. The particulars of the Directors' Interests in Contracts are given on page 119 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.

EMPLOYEE SHARE OWNERSHIP PLANS

The Group does not operate any share option schemes.

RELATED PARTY TRANSACTIONS

The Company identifies related parties as defined by LKAS 24. The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them in any company where they hold office or ownership. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the year financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with Section 09 of the Colombo Stock Exchange Listing rules.

Non- Recurrent Related Party Transactions

There were no non-recurrent related party transactions where aggregate value exceeded 10% of the equity or 5% of the total assets of the Company, during the year ended 31st March 2023, which require specific disclosures in the 2022/23 Annual Report as required by Listing Rule 9.3.2 of the Colombo Stock Exchange.

Recurrent Related Party Transactions

There were no recurrent related party transactions, of which aggregate value exceeded 10% of the consolidated revenue of the Group during the year ended 31st March 2023, which required additional disclosures in the 2022/23 Annual Report, as required by Listing Rule 9.3.2 of the Colombo Stock Exchange.

ACCOUNTING POLICIES

The significant Accounting Policies adopted by the Group and the Company are given on pages 136 - 139.

The Financial Statements and Notes thereto give a true and fair view of the Company's and the Group's financial position as at 31st March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

The Company's Independent External Auditors, Messrs KPMG, Chartered Accountants, who were re-appointed by a resolution passed at the last Annual General Meeting, have expressed their opinion which appears on pages 123 - 125 of this Annual Report.

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

Messrs KPMG, Chartered Accountants, have made themselves available for re-appointment and having determined their suitability for re-appointment, the Board proposes that they be appointed as the Independent Auditor until the conclusion of the next Annual General Meeting.

INDEPENDENT LIMITED ASSURANCE ON NON-FINANCIAL INFORMATION

Messrs KPMG, Chartered Accountants, has also provided an independent limited assurance on the ESG Statement, Global Reporting Initiative (GRI), compliance with Sustainability Accounting Standards Board Framework and Integrated Reporting and their opinion therein appears on pages 107 - 110 and pages 201 - 203.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Board considers that strong internal controls are integral to the sound management of the Company and is committed to maintaining financial, operational and risk management controls over all its activities. Further details of these aspects are discussed in Board of Directors' Statement on Internal Controls on page 121.

MATERIAL FORESEEABLE RISK FACTORS

Information pertaining to material foreseeable risk factors are discussed on pages 81 - 86 of this annual report.

GOING CONCERN

The Board of Directors, after reviewing the Company's Business Plans, is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company's and its subsidiaries' ability to continue to operate as going concerns, details of which are available in Note 3.3 to the Financial Statements.

ENTERPRISE GOVERNANCE

Pages 58 - 71 shows the governance structure of the Group and the manner in which the Board plays its stewardship role to process safeguard interests of stakeholders.

A report on compliance with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka is available on the Company website at https://www.dimolanka.com/investor-relations/

ANNUAL REPORT OF THE BOARD OF DIRECTORS

RESPONSIBLE CORPORATE BEHAVIOUR

The Board is committed to and considers it a key priority to act responsibly towards its stakeholders and to manage economic, environmental and social impacts during value creation activities, efficiently and effectively. The Board considers that Environmental and Social Governance is a strategically important aspect for the growth of the company and its subsidiaries.

HUMAN CAPITAL

Pages 50 - 51 cover in detail the Group's practices and policies relating to selection, training, development, promotion and employee relations.

There were no material issues pertaining to employees or industrial relations during the year.

SHARE INFORMATION

Information relating to shareholding, market value of shares, public shareholding and twenty largest shareholders are disclosed under the "Investor Relations" section on pages 72 - 76.

EQUITABLE TREATMENT OF SHAREHOLDERS

The Company has made all endeavours to ensure that all shareholders are treated equitably.

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt, as required by the listing requirements of the Colombo Stock Exchange, are given on page 203 of this Report.

DONATIONS

The Group and the Company made donations during the year amounting to Rs. 2.7 million and Rs. 1.3 million respectively (2021/22 - Group: Rs. 3.4 million, Company - Rs. 2.7 million).

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group and the Company incurred Rs. 820 million and Rs. 281 million respectively (2021/22 - Group: Rs. 515 million, Company: Rs. 437 million) on the acquisition of property, plant and equipment, details of which are available in Note 4.9 to the Financial Statements.

Specific information on extent, locations, valuations and number of buildings on the Company's land holdings are given in Note 4.9.1 to the Financial Statements.

The investment in intangible assets including capital work-in progress by the Group during the year was Rs. 364 million whilst the investment in intangible assets by the Company was Rs. 364 million (2021/22 – Group: Rs. 181 million, Company: Rs. 180 million).

MARKET VALUE OF FREEHOLD LAND

The details of market value of freehold land are given in Note 4.9.1 to the Financial Statements. There is no evidence of the book value of land being substantially different from the market value of land of the Company and/or its subsidiaries as at 31st March 2023.

STATED CAPITAL

The stated capital of the Company as at 31st March 2023 amounted to Rs. 621 million (2021/22- Rs. 621 million), details of which are available in Note 4.19 to the Financial Statements.

STATUTORY PAYMENTS

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL PROTECTION

Policies and endeavours made on environmental preservation by the Group and the Company are given on pages 88 - 95.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 5.3 to the Financial Statements on page 192.

ANNUAL GENERAL MEETING

The Seventy Eighth Annual General Meeting (AGM) of the Company will be held at DIMO 800, Sirimavo Bandaranaike Mawatha, Colombo 14 on 27th June 2023 at 08.30 a.m. A Notice of Meeting of the 78th Annual General Meeting is available on page 206.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

By order of the Board of Directors,

A. R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Director/Group Chief Executive Officer

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

Colombo
05th June 2023

LEVEL OF COMPLIANCE WITH MANDATORY REGULATIONS

This section provides a navigation on the level of compliance to the Companies Act No. 07 of 2007 and the regulations provided by the Colombo Stock Exchange.

Table 70: Disclosures Required by the Companies Act No. 07 of 2007.

Section Reference	Disclosure Requirement	Compliance Status	Annual Report Reference (Page)
168 (1) (a)	The nature of the business of the Company or any of its subsidiaries	Compliant	132 - 133
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	Compliant	126 - 192
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	Compliant	123 - 125
168 (1) (d)	Changes in Accounting Policies made during the accounting period	Compliant	136
168 (1) (e)	Particulars of the entries in the Interests Register made during the accounting period	Compliant	109
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company and its Subsidiaries during the accounting period	Compliant	146
168 (1) (g)	Total amount of donations made by the Company during the accounting period	Compliant	146
168 (1) (h)	Information on Directorate of the Company and its Subsidiaries during and at the end of the accounting period	Compliant	205
168 (1) (i)	Amounts paid/payable to the Auditor as audit fees and fees for other services rendered during the accounting period	Compliant	146
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Compliant	70
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board (Annual Report of the Board of Directors)	Compliant	113 - 118

Table 71: Disclosures Required by the Listing Rules of the Colombo Stock Exchange

Listing Rule Reference	Disclosure Requirement	Compliance Status	Annual Report Reference (Page)
7.6 (i)	Names of persons who during the financial year were directors of the Entity	Compliant	14 - 15
7.6 (ii)	Principal activities of the Entity and its Subsidiaries during the year and any changes therein	Compliant	132 - 133
7.6 (iii)	The names and the number of shares held by the twenty largest shareholders and the percentage of such shares held.	Compliant	75
7.6 (iv)	Float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement in respect of voting ordinary shares	Compliant	76
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	Compliant	75
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	Compliant	81 - 86
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Compliant	50 - 51 and 54 - 55
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Compliant	150 - 153
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Compliant	173
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Compliant	74
7.6 (xi)	Ratios and market price information on equity	Compliant	203
7.6 (xii)	Significant changes in the Company's or Subsidiaries' fixed assets and the market value of land	Compliant	150 - 153
7.6 (xiii)	If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities	N/A	-
7.6 (xiv)	(a) Information in respect of Employee Share Option Schemes (ESOS) (b Information in respect of Employee Share Purchase Schemes (ESPS)	N/A	-
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5.c and 7.10.6.c of Section 7 of the Rules.	Compliant	60, 65,70 and 71
7.6 (xvi)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the entity.	Compliant	188 - 191

LEVEL OF COMPLIANCE WITH MANDATORY REGULATIONS

Listing Rule Reference	Disclosure Requirement	Compliance Status	Annual Report Reference (Page)
7.10.1.(a)	At least two or one third of the Directors, whichever is higher, should be Non-Executive Directors.	Compliant	14 - 15 and 59
7.10.2.(a)	Two or one-third of Non-Executive Directors, whichever is higher, should be Independent.	Compliant	14 - 15 and 59
7.10.2.(b)	Each Non-Executive Director should submit a declaration of Independence/Non-Independence.	Compliant	60
7.10.3.(b)	The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director and the names of Independent Directors should be disclosed in the Annual Report.	Compliant	14 - 15 and 60
7.10.3.(b)	Directors do not qualify as independent but are specified by the Board as independent.	Compliant	114
7.10.3.(c)	A brief resume of each Director should be included in the Annual Report including his/her area of expertise.	Compliant	14 - 15
7.10.3.(d)	A brief resume of any new Director appointed to the Board.	Compliant	14 - 15
7.10.5 (a) – (c)	A listed company shall have a Remuneration Committee.	Compliant	65 and 71
7.10.6 (a) – (c)	A listed company shall have an Audit Committee.	Compliant	70
9.2.2	Comprise a combination of Non-Executive Directors, Independent Non-Executive Directors and Executive Directors at the option of Listed Entity. Chairman should be Independent Non-Executive Director.	Compliant	65
9.3.2 (a)	Non- Recurrent Related Party Transactions - if aggregate value exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower.	Compliant	70 and 115
9.3.2 (b)	Recurrent Related Party Transactions - if the aggregate value exceeds 10% of the gross revenue/income.	Compliant	70 and 115
9.3.2 (c)	Annual Report shall contain a report by the Related Party Transactions Review Committee	Compliant	70
9.3.2 (d)	A declaration by the Board of Directors as an affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Compliant	70 and 115

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

Related party disclosures as per the Sri Lanka Accounting Standard -LKAS 24 'Related Party Disclosures' is disclosed in Note 4.30 to the Financial Statements on pages 188 to 189. In addition, the Company carries out transactions in the ordinary course of business with entities where the Director of the Company is a Director of such entities as detailed below.

Table 72: Directors' Interests in Contracts

Director /Company	Relationship to Company	Nature of the transaction	Outstanding as at 31st March 2023 - Receivable/ (*Advance Received/ Payable) (Rs.'000)	Outstanding as at 31st March 2022 - Receivable/ (*Advance Received/ Payable) (Rs.'000)
A.R. Pandithage				
Dial Textile Industries Limited	Director	Sale of goods and rendering of services	-	83
A.M. Pandithage				
Advantis Freight (Pvt) Ltd	Director	Rendering of services	(5,962)	-
Advantis Projects & Engineering (Private) Limited	Director	Sale of goods and rendering of services	-	16,036
		Rendering of services	968	-
		Sale of goods	1,055	-
		Sale of goods	(700)*	-
Alumex PLC	Director	Rendering of services	171	123
		Sale of goods	883	-
Dipped Products PLC	Director	Rendering of services	-	895
Fentons Limited	Director	Sale of goods and rendering of services	46	15,680
Haycarb PLC	Director	Sale of goods and rendering of services	2,930	184
Hayleys Advantis Limited	Director	Rendering of services	921	350
Hayleys Agriculture Holdings Limited	Director	Sales of goods and rendering of services	-	(3,329)*
Hayleys Agro fertilizers (Private) Limited	Director	Purchase of goods	(26,921)	-
Hayleys Aventura (Private) Limited	Director	Rendering of services	-	2,698
Hayleys Fabric PLC	Director	Sale of goods and rendering of services	322	185
Hayleys Free Zone Limited	Director	Sale of goods and rendering of services	-	1,401
Hayleys Lifesciences (Private) Limited	Director	Sale of goods	-	902
Hayleys PLC	Director	Sale of goods and rendering of services	794	100
Horana Plantations PLC	Director	Rendering of services	-	785
Kelani Valley Plantations PLC	Director	Sale of goods and rendering of services	729	126
Logistics International Limited	Director	Sale of goods and rendering of services	873	12,090
Logiwiz Limited	Director	Sale of goods and rendering of services	5,723	26,133
Martin Bauer Hayleys (Private) Limited	Director	Sale of goods and rendering of services	-	398
Singer Srilanka PLC	Director	Sale of goods	17	7,653
Singer Industries (Ceylon) PLC	Director	Sale of goods and rendering of services	-	77
South Asia Textiles Limited	Director	Sale of goods and rendering of services	56	143
Sri Lanka Shipping Company Limited	Director	Sale of goods and rendering of services	-	33,143
Tokyo Supermix (Private) Limited	Director	Rendering of services	62	-
Toyo Cushion Lanka (Private) Limited	Director	Sale of goods	430	-
Ravi Industries Limited	Director	Sale of goods and rendering of services	187	4
Unisyst Engineering PLC	Director	Sale of goods	-	21
A.D.B. Talwatte				
Central Finance PLC	Director	Sale of goods and rendering of services	-	685
Ceylon Hospitals PLC	Director	Sale of goods and rendering of services	852	471
A.D.B. Talwatte / Dr. Harsha Cabral				
Chevron Lubricants Lanka PLC	Director	Purchase of goods	-	(3,047)
		Rendering of services	-	79
		Purchase of goods	(596)	-
Tokyo Cement Company (Lanka) PLC	Director	Sale of goods and rendering of services	22	613
		Purchase of goods	-	(136
			(17,139)	114,545

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Responsibility Statement on the preparation and presentation of Financial Statements in the Annual Report together with a statement by the Auditors about their reporting responsibilities.

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors on pages from 123 - 125.

As per the provision of sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No 07 of 2007, the Directors are responsible to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Company and the Group for the financial year.

The Financial Statements comprise of:

- Statement of Profit or Loss and Other Comprehensive Income of the Group and the Company
- Statement of Financial Position of the Group and the Company
- Statement of Changes in Equity of the Group and the Company
- Statement of Cash Flows of the Group and the Company
- Notes to the Financial Statements comprising of Basis of Accounting, (Section 3), Specific Accounting Policies (Section 4) and Other Disclosures (Section 5)

The Directors are also required to place these Financial Statements before the Annual General Meeting of the shareholders.

The Directors are also responsible, under section 148 of the Companies Act, to ensure that proper accounting records are kept to enable the determination of financial position with reasonable accuracy, the preparation of financial statements and the audit of such statements to be carried out readily and properly.

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

The Directors are also responsible for taking reasonable measures to safeguard the assets of the Group and the Company, and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

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

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2023 and bank facilities, consider that the Group/ Company has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing these Financial Statements.

Directors confirm that;

- Appropriate Accounting Policies have been selected and used in a consistent manner, and material departures, if any, have been disclosed and explained and,
- The Financial Statements of the Group and the Company are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Listing rules of the Colombo Stock Exchange are complied with.
- To the best of their knowledge, are satisfied that all statutory payments in relation to all relevant regulatory authorities which were due and payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant, provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board of Directors,

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

Colombo
05th June 2023

BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors presents a Statement on Internal Controls, in the Annual Report.

RESPONSIBILITY

It is the responsibility of the Board of Directors to maintain a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

Currently, the Board has established a process for identifying, evaluating and managing the significant risks faced by the Company. This process includes enhancing the system of internal controls of the Company as and when there are changes to the business environment and regulatory guidelines.

However, this internal control system is designed to manage the Company's key areas of risk. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatements or losses.

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established by the Board in reviewing the adequacy and integrity of the system of internal controls include the following:

- The Board Committees and Group Management Committee are established to assist the Board in ensuring the effectiveness of the Group's operations and that the Group's operations are directed towards corporate strategy, objectives, annual budget and policies, taking into consideration the business environment and internal operating conditions.
- The Group Internal Audit function provides comfort on the efficiency and effectiveness of the Internal Control System of the Group and the Company. The Group Internal Audit function operates according to the annual audit plan which is reviewed and approved by the Audit Committee. The findings of the audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee approves the annual audit plan, reviews internal control issues identified by the Group Internal Auditors, the Independent External Auditors, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the internal control system. Activities undertaken by the Audit Committee are set out in the Audit Committee Report from page 70.

CONFIRMATION

The Board of Directors of Diesel & Motor Engineering PLC ('Group') confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Consolidated Financial Statements for the year ended 31st March 2023 have been audited by Messrs. KPMG, Chartered Accountants.

By order of the Board of Directors,

A.R. Pandithage
Chairman/Managing Director

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

A.D.B. Talwatte
Chairman - Audit Committee

Colombo
05th June 2023

STATEMENT OF RESPONSIBILITY OF THE CHAIRMAN/ MANAGING DIRECTOR, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Section D.1.3 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board should, before it approves the Financial Statements for a financial period, obtain a declaration, in their opinion, on Financial Statements and system of risk management and internal control from its Chief Executive Officer and Chief Financial Officer.

Accordingly, we confirm that the Financial Statements of Diesel and Motor Engineering PLC and Consolidated Financial Statements of the Group as at 31st March 2023 are prepared and presented in accordance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRs/LKASs),
- Companies Act No. 07 of 2007,
- Listing Rules of the Colombo Stock Exchange, and
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

We also confirm that the accounting policies used in the preparation of the Consolidated Financial Statements are appropriate and consistently applied, unless otherwise stated in the Notes accompanying the Financial Statements. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Significant Accounting Policies and estimates that involve a high degree of judgement and complexity were discussed with the Audit Committee.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken reasonable and sufficient care to install a system of internal control and accounting records to safeguard assets and to prevent and detect fraud as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis.

The Group Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Messrs KPMG, Chartered Accountants, Independent External Auditors. Their report is given on pages from 123 - 125 of the Annual Report. The Auditor's Independent Assuarance Reports on the ESG Statement, Global Reporting Initiative (GRI), compliance with Sustainability Accounting Standards Board Framework and Integrated Reporting and their opinion therein appears on pages 107 - 110 and pages 201 - 203.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent External Auditors to review the manner in which these Auditors perform their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the Independent External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

Conclusion

We confirm that we have discharged our responsibilities in maintaining proper financial records and preparing financial statements in accordance with SLFRSs and LKASs. To the best of our knowledge, we also confirm that procedures for managing risks and internal control were operating effectively during the financial year.

By order of the Board of Directors,

A.R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Director/Group Chief Executive Officer

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

Colombo
05th June 2023

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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Colombo 00300, Sri Lanka.

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To the Shareholders of Diesel and Motor Engineering PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Diesel and Motor Engineering PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at March 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 126 to 192.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

See note 3.7 for Use of Judgments and Estimates and note 4.1 for accounting policy and information

Risk Description	Our Response
The Group carry out its business operations in different sectors which result in high volume of revenue transactions in different revenue streams which requires judgment in some of the revenue transactions in order to determine the timing and the amount of revenue recognition. Further, in accordance with Sri Lanka Auditing Standards (SLAuS), there is a presumed fraud risk relating to revenue recognition. Revenue recognition of certain items of the Group and the Company require judgement which will increase the risk of material misstatement of revenue, contract liabilities and other related balances. We consider this as a key audit matter because of the significant judgment associated with the appropriate recognition of revenue in the correct accounting period.	Our audit procedures included; • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management key internal controls involved in the revenue recognition including the key IT controls relating to revenue recognition. • Performing detailed analysis of revenue, testing the timing of its recognition and accuracy of the amounts recognized for significant revenue streams. • Reviewing the adequacy, relevance and accuracy of the accounting policies and disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

Allowance for Impairment of Trade Receivables

See note 3.7 for Use of Judgments and Estimates and note 4.16 for accounting policy and information

Risk Description	Our Response
The Group and Company have recognized a total impairment provision of Rs. 1,209 million and Rs. 1,014 million on total trade receivables of Rs. 7,499 million and Rs. 4,897 Million respectively. Impairment allowances represent management's best estimate of the expected credit losses on trade receivables as at the reporting date. The calculation of impairment allowances is inherently judgmental for any institution. The Group uses both specific assessment and collective assessment for impairment and specific receivables are individually assessed for impairment by considering objective evidence and based on the expected realization of those balances. Collective impairment allowances are calculated using statistical models concurrent with the historical information on the probability of default and the timing of recoveries. The inputs to these models are subject to management judgment and model overlays are often required. Further, the prevailing uncertain and volatile macro-economic environment have an impact on the judgements considered in estimating the loss allowance as of the reporting date due to the increase in the credit risk and the adverse macro-economic forecasts which may have an impact on the recoverability of the receivables. We have identified, allowance for impairment of trade receivables as a key audit matter due the complexity and subjectivity involved and prevailing uncertain macro-economic environment in the country in determining the allowance which is based on management judgement.	Our audit procedures among others included: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key controls management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision. • Testing the completeness and accuracy of key inputs in to models and computations. Further, we assessed the reasonability of the model methodology and key assumptions. • Assessing the recoverability of a sample of customers by analyzing the credit risk, payment patterns and reviewing the underlying documents to verify cash received subsequent to year end for its effect in reducing amounts outstanding at year end and performing re-computation over the computation. • Assessing the completeness and the adequacy of the accounting policy over the impairment and related disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s/ Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor’s report is 3272.

Chartered Accountants

Colombo, Sri Lanka
05th June 2023

SECTION 1 - FINANCIAL STATEMENTS

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

Consolidated Financial Statements

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

Composition of Financial Statements

The Financial Statements comprise of the following;

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

Responsibilities for the Financial Statements

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

Authorisation of Financial Statements by the Board of Directors

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

Figures in brackets indicate deductions.

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

STATEMENT OF FINANCIAL POSITION

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

Certification

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

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

The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board,

A.R. Pandithage
Chairman/Managing Director

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

05th June 2023
Colombo

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

STATEMENT OF CHANGES IN EQUITY

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

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

Revaluation reserve relates to the revaluation of land

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

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

Figures in brackets indicate deductions.

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

STATEMENT OF CASH FLOWS

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

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

Figures in brackets indicate deductions.

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

SECTION 2 - CORPORATE INFORMATION

This section gives a description of the reporting entity, its subsidiaries and the equity accounted investees.

2.1 Reporting Entity

The Reporting Entity is Diesel & Motor Engineering PLC (the 'Company') which is a public limited liability Company, incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the company is located at No. 65, Jetawana Road, Colombo 14. The ordinary shares of the Company are listed at the Colombo Stock Exchange.

Diesel & Motor Engineering PLC does not have an identifiable parent of its own. The Company is the ultimate parent of the Group.

2.2 The principal place of business and business activities of the Company, subsidiaries and the Equity accounted investees

Descriptions of the nature of operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on pages 157 to 161 to the Financial Statements.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

Table 73: Principle place of business and its activities

Entity	Principal place of business	Principal Business Activities
The Company		
Diesel & Motor Engineering PLC	Sri Lanka	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, earth moving machinery, car parking systems, and power tools
		Import and sale of vehicle spares, components, consumer products, accessories, lamps, home appliances, paint, industrial chemicals, water pump
		Provide solutions in lighting, storage systems, power engineering including solar power generation systems
		Sale and after sales in the business domains of industrial refrigeration systems, marine & rail propulsion
		Import, repack and distribution of inorganic fertilizer, manufacture and process of organic fertilizer and sale of agriculture produced
	Branch - Uganda	Provide power engineering solutions.
Subsidiaries		
DIMO (Private) Limited	Sri Lanka	Incorporated on 05th September 1972 as a Private Limited Company, Sale and after sales in the business domains of bio-medical engineering, power engineering, building technologies, civil engineering, elevators and escalators, industrial refrigeration systems, marine and rail propulsion and fluid management systems.
DIMO Travels (Private) Limited	Sri Lanka	Incorporated on 19th June 1975 as a Private Limited Company, Provision of transportation facilities.
DIMO Industries (Private) Limited	Sri Lanka	Incorporated on 14th September 1979 as a Private Limited Company in order to, import and sale of tyres.
PlantChem (Private) Limited	Sri Lanka	On 23rd February 2018, the Group acquired 51% ordinary shares in PlantChem(Private) Limited and an additional shareholding of 19% of the company was acquired to bring the total shareholding of the subsidiary to be 70% as at 1st July 2021. PlantChem (Private) Limited was incorporated on 16th February 2005 as a Private Limited Company. Import, re-packing and sales of pesticides, fungicides, insecticides, herbicides, weedicides, plant growth regulators, compound fertilizers and liquid fertilizers, and manufacture and processing of organic fertilizer
Plant Seeds (Private) Limited	Sri Lanka	On 23rd February 2018, the Group acquired 51% ordinary shares in Plant Seed (Private) Limited and an additional shareholding of 19% of the company was acquired to bring the total shareholding of the subsidiary to be 70% as at 1st July 2021. Plant Seeds (Private) Limited was incorporated on 24th March 2015 as a Private Limited Company. Import and sale of hybrid seeds and production, processing and distribution of seed paddy, hybrid seeds and vegetable seeds, and Import, re-packing and sales of compound fertilizer
DIMO Lifeline (Private) Limited	Sri Lanka	Incorporated on 13th July 2020 as Private Limited Company for Providing solutions for cardiac rhythm management, interventional cardiac operations and related therapy line.

Entity	Principal place of business	Principal Business Activities
Moveflex (Private) Limited	Sri Lanka	Incorporated on 10th February 2021 as Private Limited Company. The business of provision of transport facilities previously carried out by Diesel and Motor Engineering PLC was transferred to this Company with effect from the date of incorporation. Provision of transport facilities.
DIMO Lanka Company Limited	Myanmar	Incorporated on 20th June 2017 as a Limited Company under the Myanmar Companies Act , Investee company of Diesel and Motor Engineering PLC for operations in Myanmar.
United DIMO Company Limited	Myanmar	Incorporated on 24th October 2017 as a Private Company Limited by Shares under the Myanmar Companies Act ,Sale of automobiles, automobile repair and servicing. Subsidiary of DIMO Lanka Company Limited.
DIMO Bangladesh (Private) Limited	Bangladesh	On 10th May 2022, Diesel & Motor Engineering PLC incorporated DIMO Bangladesh (Private) Limited with a 99.99% equity interest. The principal business activities of the Company includes sale and after sales services of heavy machinery & equipment.
Tropical Health Food (Private) Limited	Sri Lanka	On 25th May 2022, Diesel & Motor Engineering PLC acquired 94.50% of ordinary shares of Tropical Health Food (Private) Limited by investing Rs. 450 million. Tropical Health Food (Private) Limited was incorporated on 06th April 1994 as a Private Limited Company under the Companies Act No. 07 of 2007. The principal business activities of the Company includes is processing and preparing fruits and vegetables for export market.
Virgin Oil International (Private) Limited	Sri Lanka	On 02nd August 2022, Diesel & Motor Engineering PLC acquired 51% of ordinary shares of Virgin Oil International (Private) Limited by investing Rs. 40.0 million. Virgin Oil International (Private) Limited was incorporated on 14th May 2013 as a Private Limited. The principal business activities of Virgin Oil International (Private) Limited includes engaged in the business of producing, processing and exporting pure virgin coconut oil and coconut-based products.
Mansel (Ceylon) (Private) Limited	Sri Lanka	On 28th September 2022, Diesel & Motor Engineering PLC acquired 75% of ordinary shares of Mansel (Ceylon) (Private) Limited by investing Rs. 179.9 million. Mansel (Ceylon) (Private) Limited was incorporated on 05th February 1964 as a Private Limited Company. The principal business activities of Mansel (Ceylon) (Private) Limited includes is importation, sale, and distribution of pharmaceutical products.
Associated Laboratories (Private) Limited	Sri Lanka	On 28th September 2022, Diesel & Motor Engineering PLC acquired 75% of ordinary shares of Associated Laboratories (Private) Limited by investing Rs. 45 million. Associated Laboratories (Private) Limited was incorporated on 29th April 1967 as a Private Limited Company. The principal business activities of Associated Laboratories (Private) Limited includes is importation, sale, and distribution of pharmaceutical products.
DIMO Australia Pty Ltd	Australia	On 04th October 2022, Diesel & Motor Engineering PLC incorporated DIMO Australia Pty Ltd under the Corporations Act 2001 in Australia. No shares has been issued during the period.
DIMO Global Pte. Ltd.	Singapore	On 31st August 2022, DIMO (Private) Limited incorporated DIMO Global Pte. Ltd. as a Private Company Limited in Singapore. No shares has been issued during the period.
Equity accounted investee		
DIMO Coastline (Private) Limited	Maldives	On 22 February 2018, the Group acquired 40% equity interest of DIMO Coastline (Private) Limited for an aggregate consideration of Rs. 58.2 million. DIMO Coastline (Private) Limited is a company incorporated in Republic of Maldives and whose financial year ends on 31st December. The Group has acquired the company as part of expansion into marine and general engineering business overseas.
Azend Technologies (Private) Limited	Sri Lanka	On 09th November 2021, the Company invested Rs. 25.0 million in Azend Technologies (Private) Limited acquiring a 49% equity interest and during the year the company further invested Rs. 51.3 million in Azend Technologies (Private) Limited without a change to its stake of holding . Azend Technologies (Private) Limited is in the business of providing information technology solutions.

The country of incorporation of the above companies is the same country where the principal place of business is domiciled.

More details of the Group is available in the group structure on page 9.

SECTION 3 - BASIS OF ACCOUNTING

This section covers the basis of preparation of Financial Statements including policies, assumptions, judgements, estimates, and adoption of Sri Lanka Accounting Standards (SLFRSs/LKASs). Accounting policies and basis for judgements and estimates that are specific to notes in section 4, is given in the relevant note.

3.1 Statement of Compliance

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

3.2 Basis of Measurement

The Financial Statements of the Group and Company have been prepared on historical cost basis, except for following;

Item	Basis of measurement	Note	Page No
Freehold land	Initially measured at cost and subsequently carried at revalued amounts which are the fair values at the date of revaluation.	4.9	150
Equity instruments designated at fair value through other comprehensive income (FOCI)	Fair value	4.13	162
Defined benefit obligation	Actuarially valued and recognised at present value	4.23	179

The Financial Statements, except for information on Statement of Cash Flows have been prepared following the accrual basis of accounting.

3.3 Going concern

Management has assessed the ability of the Group to continue as a going concern. In making this assessment, the Management has considered the potential negative impact that the current economic conditions could bring to the business operation of the Group. In doing so, Management has prepared estimates of performance and the forecasted liquidity based on the likely, worst, and best-case scenarios by considering available information and economic forecasts and the available resources and assets at the Group's disposal.

The Board believes that the Group has the adequate financial strength, resources, and business plans to continue to operate the business as a going concern for the foreseeable future by mitigating the risks arising from the current economic conditions.

Therefore, the Board is of the view that the Financial Statements for the year ended 31 March 2023 should be prepared and presented as a going concern.

3.4 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the currency of the primary economic environment in which the reporting entity operates. Each entity of the Group uses the currency of the primary economic environment in which it operates as its functional currency.

The subsidiaries and equity-accounted investees whose functional currency is different from the presentation currency is given below.

Name of the Entity	Country of Domicile	Functional Currency
DIMO Lanka Company Limited	Myanmar	Burmese Kyat
United DIMO Company Limited	Myanmar	Burmese Kyat
DIMO Coastline (Private) Limited	Maldives	US Dollar
Diesel & Motor Engineering PLC - Branch	Uganda	Uganda Shilling
DIMO Bangladesh (Private) Limited	Bangladesh	Bangladeshi Taka

3.5 Materiality, Aggregation, Offsetting, Rounding and Current versus Non-Current Classification

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 treated immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Notes to the Financial Statements are presented in a systematic manner that ensures the understandability and comparability of Financial Statements.

Offsetting

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

Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless indicated otherwise.

Current Versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.6 Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant, for better presentation and to be comparable with those of the current year.

In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

3.7 Summary of Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements of the Group requires the Management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities, income, expenses and accompanying disclosures as well as the disclosure of contingent liabilities, at the end of the reporting period. Management make estimates and judgements based on current knowledge, historical experience and various other assumptions that are held to be reasonable under the circumstances. However, actual results may differ from these judgements and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the Financial Statements. The Group based its assumptions and estimates on parameters available when the Consolidated Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgements, estimates and assumptions made by management which have the most significant effect on the amounts recognised in these Consolidated Financial Statements are described in the following Notes.

Accounting Policy	Note
Revenue Recognition	4.1
Impairment of non-financial assets	3.9.3
Income tax and deferred tax assets and liabilities	4.24 /4.29/4.29
Useful life time of property, plant and equipment	4.9
Revaluation of property, plant and equipment	4.9
Provision for impairment of trade receivables	4.16
Employee benefits	4.23
Warranty provisions	4.27
Provision on inventories	4.15
Right-of-use assets and lease liabilities	4.10
Commitments and Contingencies	5.2
Consolidation	3.9
Equity accounted investees	3.9
Acquisition of subsidiaries	3.9
Impairment test on goodwill	3.9.1

SECTION 3 - BASIS OF ACCOUNTING

3.8 Significant Accounting Policies

Summary of significant accounting policies are presented along with the relevant individual notes to the Consolidated Financial Statements.

Those accounting policies presented with each note, have been applied consistently by the Group to the all periods presented in this report.

Set out below is an index of the significant accounting policies, the details of which are available on the pages indicated.

Note	Accounting Policy	Page No.
4.1	Revenue	140
4.2	Operating Segments	142
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4.4	Net Finance Costs	145
4.5	Profit Before Tax	146
4.6	Taxation	147
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4.9	Property, Plant and Equipment	150
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4.30	Amounts due (to)/from Subsidiaries and Equity-Accounted Investees	188
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3.9 Other Significant Accounting Policies not Covered with Individual Notes

Following accounting policies, which have been applied consistently by the Group, are considered to be significant, and are not covered under individual Notes in section 4.

Accounting policy	Note
Basis of Consolidation	3.9.1
Foreign Currency	3.9.2
Impairment of Non-Financial Assets	3.9.3
Statement of Cash Flows	3.9.4

3.9.1 Basis of Consolidation

The Group's Financial Statements comprise Consolidated Financial Statements of the Company and its subsidiaries prepared as per the Sri Lanka Accounting Standard-SLFRS 10 on 'Consolidated Financial Statements'.

Subsidiaries are disclosed in Note 4.12 to the Financial Statements.

a) Business Combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in Statement of Profit or Loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in Profit or Loss.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in Profit or Loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument within the scope of SLFRS 9 is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in Profit or Loss.

b) Subsidiaries

Subsidiaries are investees that are controlled by the Company. The Company 'Controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date the Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control mentioned above. The Financial Statements of all the subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Consolidation of subsidiaries with different accounting periods

The Financial Statements of the parent Company and subsidiaries are prepared to a common financial year ending 31st March, except for DIMO Lanka Company Limited and United DIMO Company Limited whose financial year ends on 30th September. These subsidiaries prepared financial information as at 31st March 2023 for consolidation purpose. The reason for using different reporting period by the above two subsidiaries located in Myanmar is due to the requirement imposed by the Government of Myanmar. The Financial Statements of the parent and subsidiaries are prepared using uniform accounting policies.

There are no significant restrictions (other than obtaining approval from the Central Bank of the relevant country) 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 except for the subsidiaries incorporated in Myanmar. The current regulations in Myanmar are unclear about remittance of cash dividends or repayment of loans and advances being remitted out of the country.

c) Non-Controlling Interests

Non-controlling interests are measured initially at their proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in Equity.

A list of material non -controlling interest is set out in Note 4.12.4 to the Financial Statements

d) Measurement of goodwill and impairment

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

e) Equity-Accounted Investees

Interests in the Joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". Subsequent to initial recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

A Joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Financial Statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit or loss of equity accounted investees' in the Statement of Profit or Loss.

Upon loss of significant influence over the joint control , the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

Except for DIMO Coastline (Private) Limited Financial Statements of the joint ventures are prepared for the same reporting period as the Group.

Equity accounted investees are disclosed in Note 4.12.5 to the Financial Statements.

f) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

SECTION 3 - BASIS OF ACCOUNTING

3.9.2 Foreign Currency

Transactions and Balances

Transactions in foreign currencies are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are recognised in the Statement of Profit or Loss. However, foreign currency differences arising from equity securities designated as FVOCI (except foreign currency differences relating to impairment) are recognised in Other Comprehensive Income (OCI).

Share capital denominated in a currency other than the functional currency is initially converted using the exchange rate as at date of issue but is not re-translated.

Foreign operations

The results and financial position of entities whose functional currency is not Sri Lankan Rupee has been translated into Sri Lankan Rupees as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average exchange rates for the period.

(iii) Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

On disposal of a foreign entity, the deferred cumulative amount recognised in Other Comprehensive Income relating to that particular foreign operation is recognised in the income statement.

3.9.3 Impairment of non-financial assets

The carrying amount of all non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. Refer note 3.9.1 (d) for goodwill impairment.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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. The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. For 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 is largely independent of the cash inflows of other assets.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in Profit or Loss except for properties previously revalued with the revaluation taken to Other Comprehensive Income, For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation. Impairment losses recognised in prior periods are assessed at each reporting date for any indication 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 in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss recognised in prior years.

The parent, subsidiaries and joint venture have access to adequate funding to continue their business operations. Based on the assessments made to the recoverable amounts of non-financial assets, including investments in subsidiaries, there were no indications that require an adjustment in the financial statements other than disclosure made in 4.12.2

3.9.3.1. Property, Plant and Equipment and Intangible Assets (other than Goodwill)

Due to the effects of the present economic conditions in the country, property, plant and equipment (PPE) may be under-utilised or not utilised for a certain period. Similarly capital work-in-progress may be restricted or suspended. However, at the reporting date, the Group does not have an intention to discontinue any operation to which an asset belongs or plans to dispose of an asset before the previously expected date. Therefore, there will not be a change in the manner in which the asset is used or is expected to be used. Based on that assessment, management has concluded that no impairment is required on PPE at the reporting date.

3.9.3.2. Right to Use of Assets

The Group does not foresee any impairment of the right to use assets due to the prevailing and anticipate effects of the current economic conditions and does not anticipate discontinuation of any asset before the previously expected date, for which the Group possesses the right to use. Lease liabilities are not reassessed as there are no known moratoriums received for the lease payments so far.

3.9.4 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with Sri Lanka Accounting Standard-LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents as referred to in the Statement of Cash Flows comprised of those items as explained in Note 4.18 and 4.22.2.

3.10 Standards Issued but not yet Effective

Following amendments Sri Lanka Accounting Standards issued not yet effective as at the reporting date have not been applied in preparing the Consolidated Financial Statements. The Group plans to apply these amendments to the standards from their effective dates:

A summary of the requirements stipulated by the amendments and their possible impact on financial statements, when implemented, is presented in the table below;

Table 74: Summary of standards issued but not yet effective

New or amended Standards	Summary of requirements	Possible impact on Financial Statements
Amendments to LKAS 8 - Definition of Accounting Estimates	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments are effective for annual reporting periods beginning on or after 1st January 2023. Earlier application is permitted.	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.
Amendments to LKAS 1 - Classification of Liabilities as Current or Non-current	Amendments clarify - What is meant by a right to defer settlement, That a right to defer must exist at the end of the reporting period, classification is unaffected by the likelihood that an entity will exercise its deferral right, That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification and Discloures. The amendments apply for annual reporting periods beginning on or after 01st January 2023	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.
Amendments to LKAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	Amendments specify the, Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by: - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.
Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single transaction	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 01st January 2023 to contracts existing at the date when the amendments are first applied. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.

3.10.1. Other Standards

The following amendments and improvements are not expected to have a significant impact on the Group's Financial Statements.

SLFRS 17 - Insurance Contracts and amendments thereto.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

This section provides specific accounting policies and basis of accounting estimates in relation to the reported values in the Financial Statements with additional notes and explanations thereon.

4.1 Revenue

Accounting Policy

The Group recognizes revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration that the Group is to be entitled in exchange for those goods or services. Determining the timing of the transfer of control of goods or services, at a point in time or over time, requires judgments taking into consideration the nature of goods or services that Group offers.

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

The Group disaggregate its revenue into following categories based on the nature, amount , timing and uncertainty of revenue and cash flows arising from contracts with customers.

Sale of Goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, usually on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates). The Group estimates an amount of variable consideration by using the expected value method which is the sum of probability weighted amounts in a range of possible considerations.

Rendering of Services

Revenue from rendering of services is recognised when the Group satisfies all performance obligations by transferring a promised service to a customer.

Construction Related Contracts

Revenue from construction related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group determines whether it satisfies the performance obligation over time or at a point in time. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The progress is assessed based on surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

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 satisfying performance obligation relating to the service support provided by the Group.

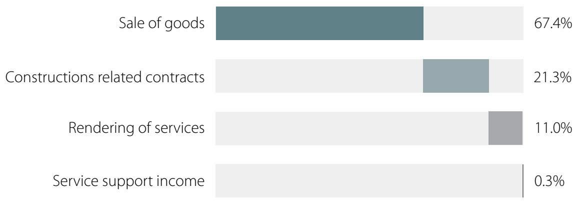
4.1.1 Disaggregation of Revenue from Contracts with Customers

In the following tables, revenue from contract with customers is disaggregated by nature of the product and timing of revenue recognition.

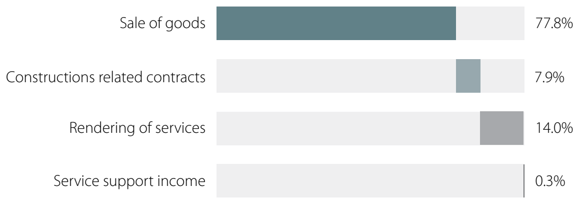
4.1.1.1. Revenue by Nature

	Group		Company	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revenue source				
Sale of goods	23,799,330	27,739,929	21,161,868	24,103,094
Rendering of services	3,880,217	3,615,202	3,676,772	3,438,650
Constructions related contracts	7,524,386	6,072,983	1,740,636	2,528,494
Service support income	95,268	79,366	88,841	16,755
Total revenue	35,299,201	37,507,480	26,668,117	30,086,993

Graph 29:
Revenue by Nature - Group



Graph 30:
Revenue by Nature - Company



4.1.1.2. Timing of Revenue Recognition

For the year ended 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revenue recognised at a point in time	27,774,815	31,434,497	24,927,483	27,558,499
Revenue recognised over time	7,524,386	6,072,983	1,740,634	2,528,494
	35,299,201	37,507,480	26,668,117	30,086,993

4.1.2 Reconciliation of Revenue

Reconciliation between disaggregated revenue from contracts with customers and revenue information that is disclosed for each reportable segment is set out below;

For the year ended 31st March	Group - 2023				
	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle sales	2,320,680	387,788	-	1,118	2,709,586
Aftersales services & auto-engineering	3,157,294	2,828,779	-	-	5,986,073
Retail	4,723,989	322,639	1,217,590	10,235	6,274,453
Construction and logistical solutions	530,130	290,342	533,430	77,488	1,431,390
Agriculture	11,317,160	13,632	-	-	11,330,792
Engineering solutions	1,750,077	37,037	5,773,366	6,427	7,566,907
	23,799,330	3,880,217	7,524,386	95,268	35,299,201

For the year ended 31st March	Company - 2023				
	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle sales	2,320,476	387,991	-	1,118	2,709,585
Aftersales services & auto-engineering	3,207,803	2,628,639	-	-	5,836,442
Retail	4,723,232	313,537	1,226,772	10,235	6,273,776
Construction and logistical solutions	507,158	332,880	513,864	77,488	1,431,390
Agriculture	8,856,809	13,725	-	-	8,870,534
Engineering solutions	1,546,390		-	-	1,546,390
	21,161,868	3,676,772	1,740,635	88,841	26,668,117

For the year ended 31st March	Group - 2022				
	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle sales	5,455,854	27,172	-	566	5,483,592
Aftersales services & auto-engineering	3,725,015	2,494,518	-	-	6,219,533
Retail	5,150,614	292,661	669,138	-	6,112,413
Construction and logistical solutions	2,315,624	709,508	678,915	4,437	3,708,484
Agriculture	9,797,905	6,548	-	-	9,804,453
Engineering solutions	1,294,917	84,795	4,724,930	74,363	6,179,005
	27,739,929	3,615,202	6,072,983	79,366	37,507,480

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

For the year ended 31st March	Company - 2022				
	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle sales	5,242,813	27,172	-	566	5,270,551
Aftersales services & auto-engineering	3,725,956	2,497,451	-	-	6,223,407
Retail	5,159,515	113,176	662,460	-	5,935,151
Construction and logistical solutions	2,315,624	709,508	678,915	4,437	3,708,484
Agriculture	7,587,751	6,548	-	-	7,594,299
Engineering solutions	71,435	84,795	1,187,119	11,752	1,355,101
	24,103,094	3,438,650	2,528,494	16,755	30,086,993

4.2 Operating Segments

Accounting Policy

The operating business segments are organised and managed separately according to the nature, risks and returns.

The Board of Directors regularly reviews the operating results of all operating business segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, is measured differently from operating profit or loss in the Consolidated Financial Statements.

The Group has the following six strategic business segments which are reportable segments, namely:

Table 75: Segment details

Reportable segments	Operations
Vehicle sales	Sale of brand-new vehicles, special purpose vehicles and pre-owned vehicles.
Aftersales services & auto-engineering	Premium vehicles aftersales, mainstream vehicles aftersales, general engineering, assembly and camper trailer, education in engineering.
Retail	Sale and service of automotive parts, lighting products, home and garden products.
Construction and logistical solutions	Sales and services of Construction machinery, Storage & material handling solutions, Car parking solutions.
Agriculture	Fertilizer, Seeds, and agrochemicals, Agri machinery, organic food Products for export and local market, R&D techno-parks, Agri advisory services.
Engineering solutions	Engineering and related solutions in power & energy, building technologies, water and fluid management, and healthcare.

Inter-segment transactions are carried in the ordinary course of business. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

Finance income and finance expenses and income taxes are managed on a Group basis and are not allocated to operating business segments.

Sales to any single customer does not represent more than 10% of the total sales and no segments are determined based on the geographical area.

Segment capital expenditure is the total cost incurred during the period to acquire Property,Plant and Equipment and intangible assets other than goodwill.

4.2.1 Import Restriction on Vehicles

The temporary suspension of imports of vehicles was scheduled to be in effect till 30th December 2020. This restriction has now been extended by the government until further notice. Until the import restrictions are removed, there are no prospects of new stocks being received by the Company except for any vehicles assembled in Sri Lanka. The import restrictions will lead to an adverse impact on vehicle sales revenue.

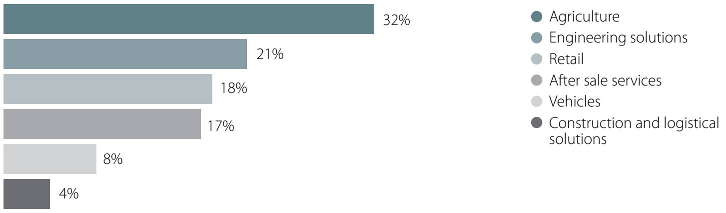
The management believes that the diversity of other sources of income and initiatives embarked upon will minimise the impact caused by the above. Refer note 2.2 for more details on new aquistions made during the year by the company.

Segmental Results, Assets and Liabilities

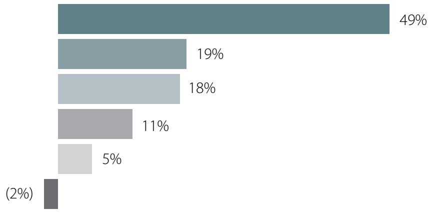
Group

	Vehicle sales		Aftersales services & auto-engineering		Retail		Construction and logistical solutions		Agriculture		Engineering solutions		Total	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Business Segment Turnover and Results														
Total segment revenue	2,727,597	5,484,912	6,552,447	6,677,088	6,429,585	6,812,431	1,484,867	3,773,375	11,419,323	9,912,661	7,613,275	6,430,758	36,227,094	39,091,225
Inter-segment revenue	(18,011)	(1,320)	(566,374)	(457,555)	(155,132)	(700,018)	(53,477)	(64,891)	(88,531)	(108,208)	(46,368)	(251,753)	(927,893)	(1,583,745)
Total external revenue	2,709,586	5,483,592	5,986,073	6,219,533	6,274,453	6,112,413	1,431,390	3,708,484	11,330,792	9,804,453	7,566,907	6,179,005	35,299,201	37,507,480
Segment results	(185,841)	188,963	1,445,330	1,582,500	1,414,351	1,014,703	398,799	618,317	3,753,114	1,992,334	878,062	73,784	7,703,815	5,470,601
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	295,694	220,499
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(2,700,356)	(2,277,687)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	141,859	56,313
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(4,708,351)	(2,320,011)
Share of results of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	4,595	15,630	4,595	15,630
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(39,112)	(310,975)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	698,144	854,370
Business Segment Assets and Liabilities														
Segment assets	1,059,137	1,090,951	1,849,827	2,367,436	3,957,073	4,362,570	1,642,367	1,454,905	7,096,948	7,592,681	10,983,927	8,179,509	26,589,279	25,048,052
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	12,973,108	15,256,938
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	39,562,387	40,304,990
Segment liabilities	608,065	809,174	748,957	1,556,368	1,294,782	1,814,580	1,086,306	988,603	6,312,374	4,639,466	6,348,066	2,738,344	16,398,550	12,546,535
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	7,810,206	12,291,968
Equity	-	-	-	-	-	-	-	-	-	-	-	-	15,353,631	15,466,487
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	-	-	39,562,387	40,304,990
Other Information														
Capital expenditure	4,790	1,535	59,312	66,631	30,674	11,821	11,091	109,883	240,342	53,254	28,690	34,192	374,899	277,316
Capital expenditure through Business Combination	-	-	-	-	-	-	-	-	258,045	-	78,512	-	336,557	-
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	588,050	657,009
Depreciation and amortisation	16,988	34,313	79,952	82,534	32,786	26,163	19,445	12,110	68,690	73,038	38,410	43,614	256,271	271,772
Unallocated depreciation and amortisation		-	-	-	-	-	-	-	-	-	-	-	157,746	123,628

Graph 31:
Segment Revenue



Graph 32:
Segment Results



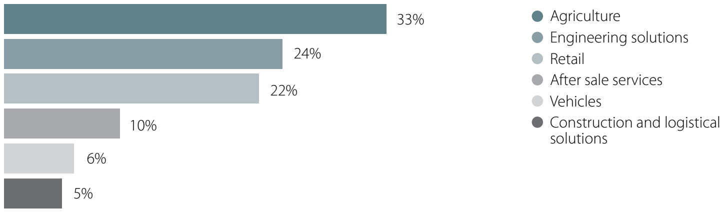
SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Segmental Results, Assets and Liabilities

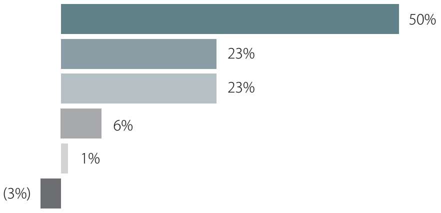
Company

	Vehicle sales		Aftersales services & auto-engineering segment		Retail		Construction and logistical solutions		Agriculture		Engineering solutions		Total	
For the year ended 31st March	2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000
Business Segment Turnover and Results														
Total segment revenue	2,727,597	5,271,869	6,402,816	6,677,089	6,428,907	6,533,243	1,484,867	3,773,375	8,959,065	7,698,274	1,592,758	1,391,185	27,596,010	31,345,035
Inter-segment revenue	(18,011)	(1,318)	(566,374)	(453,682)	(155,132)	(598,092)	(53,477)	(64,891)	(88,531)	(103,975)	(46,368)	(36,084)	(927,893)	(1,258,042)
Total external revenue	2,709,586	5,270,551	5,836,442	6,223,407	6,273,775	5,935,151	1,431,390	3,708,484	8,870,534	7,594,299	1,546,390	1,355,101	26,668,117	30,086,993
Segment results	(185,841)	215,018	1,445,330	1,582,500	1,445,967	1,002,877	398,799	618,317	3,232,768	1,251,687	69,129	210,158	6,406,152	4,880,557
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	511,783	506,333
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(2,383,788)	(2,383,784)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	491,979	27,565
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	(4,232,256)	(2,303,824)
Share of results of equity accounted investees	-	-	-	-	-	-	-	-	-	-	4,595	15,630	4,595	15,630
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(154,649)	(159,500)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	643,816	582,977
Business Segment Assets and Liabilities														
Segment assets	836,236	878,511	1,850, 870	2,367,436	3,913,828	4,194,103	1,306,118	1,189,209	4,266,851	5,687,516	1,118,514	2,458,318	13,292,417	16,775,093
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	18,764,773	17,429,185
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	32,057,190	34,204,278
Segment liabilities	381,211	592,889	793,620	1,514,918	795,687	1,768,773	750,057	646,064	3,482,277	3,950,276	2,615,318	678,062	8,818,170	9,150,982
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	9,539,741	11,370,695
Equity	-	-	-	-	-	-	-	-	-	-	-	-	13,699,279	13,682,601
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	-	-	32,057,190	34,204,278
Other Information														
Capital expenditure	4,790	1,535	59,312	66,631	30,674	11,821	8,692	109,883	45,609	9,600	28,552	727	177,629	200,197
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-		-	559,176	656,743
Depreciation and amortisation	16,988	20,872	79,952	82,534	32,582	26,163	19,445	12,110	20,978	15,810	4,094	22,984	174,039	180,473
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	171,306	153,793

Graph 33:
Segment Revenue



Graph 34:
Segment Results



4.3 Other Operating Income

Accounting Policy

Other operating income and expenses are recognised on an accrual basis. Other operating income and expenses comprises disposal gains/losses on sale of property, plant and equipment, dividend income, incentives from principals, management service income and sundry income.

Expenses are recognised in the Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment are accounted in the income statement, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Dividend Income

Dividend income is recognised when the Group's right to receive payment is established. which in the case of quoted securities is the ex-dividend date.

Other Operating Income

For the year ended 31st March	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Dividend income - quoted	320	235	320	235
Gains on sale of property, plant and equipment	281	21,092	3,116	22,093
Incentives from principals	27,166	104,288	27,166	104,288
Management service income	-	-	277,385	291,148
Sundry income	267,927	94,884	203,796	88,569
	295,694	220,499	511,783	506,333

4.4 Net Finance Costs

Accounting Policies

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

Finance costs comprise of interest expense on borrowings, leases and significant financing element of contract liabilities that are recognised in the income statement. Interest expense is recognised as it accrues using the effective interest rate (EIR).

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

Finance Income and Costs

For the year ended 31st March	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Interest income	141,859	56,313	491,979	27,565
Finance income	141,859	56,313	491,979	27,565
Interest on Long-term Interest bearing borrowings	(300,630)	(107,197)	(273,954)	(107,197)
Interest on Short-term interest- bearing borrowings	(2,917,154)	(605,626)	(2,506,838)	(479,957)
Finance charges under leases (Note 4.22.3.3)	(67,558)	(66,872)	(56,569)	(56,416)
Unwinding of significant financing component	(100,941)	(70,797)	(24,906)	(9,423)
Net foreign exchange loss	(1,322,068)	(1,469,519)	(1,369,989)	(1,650,831)
Finance costs	(4,708,351)	(2,320,011)	(4,232,256)	(2,303,824)
Net finance costs recognised in Profit or Loss	(4,566,492)	(2,263,698)	(3,740,277)	(2,276,259)

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.5 Profit Before Tax

Profit before tax is stated after charging the following:

For the year ended 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Directors' emoluments				
- Short-term employment benefits	582,214	472,187	553,600	440,147
- Post-employment benefits	119,215	79,785	117,409	79,785
Auditors' remuneration				
- Audit and audit-related services	10,662	5,214	6,114	3,432
- Non-audit services	10,003	2,543	5,921	2,280
Depreciation on property, plant and equipment (Note 4.9)	402,872	383,785	337,891	325,957
Depreciation on right-of-use assets (Note 4.10)	146,015	113,978	113,020	92,176
Amortisation of intangible assets (Note 4.11)	11,145	11,615	7,454	8,309
Impairment loss on trade receivables (Note 4.16.1.1)	79,680	117,195	124,838	40,370
Provision on inventories (Note 4.15.1)	783,327	97,915	669,140	112,091
Donations	2,749	3,416	1,384	2,789
Legal fees	15,678	15,909	15,665	14,745
Staff expenses (Note 4.5.1)	3,464,386	3,319,272	2,521,960	2,531,337
Inventory write off (Note 4.15.1)	5,351	-	5,351	-
Trade receivable write off (Note 4.16.1)	9,414	105,429	6,627	98,034

4.5.1 Staff Expenses

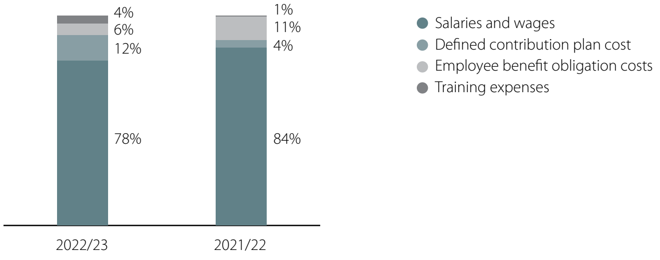
Accounting Policy

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

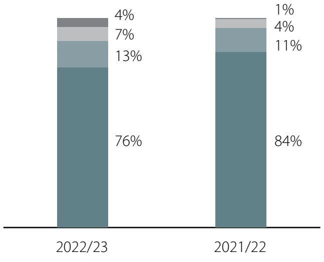
For the year ended 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Defined contribution plan cost	416,632	369,006	324,049	289,745
Employee benefit obligation costs (Note 4.23.1)	193,117	125,721	164,583	110,050
Training expenses	135,670	16,145	111,313	11,806
Salaries and wages	2,718,967	2,808,400	1,922,015	2,119,736
	3,464,386	3,319,272	2,521,960	2,531,337
Average number of employees for the year	1,854	1,840	1,393	1,435

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

Graph 35:
Staff Expenses - Group



Graph 36:
Staff Expenses - Company



4.6 Taxation

Accounting Policy

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recongnised in the Statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

The group has determined that interest and penalties related to income taxes including uncertain tax treatments do not meet the definition of income taxes and therefore accounted for them under LKAS 37 provision , contingent liabilities and contingent assets.

Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted on the reporting date.

Accounting Estimate

The Group recognises liabilities for anticipated tax, based on an estimate of taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

Deferred Tax

A detail disclosure of accounting policies and estimate of deferred tax are available in Note 4.24.

Sales Tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Value Added Tax (VAT) rate revisions of 12% and 15% introduced with effect from 1 June 2022 and 1 September 2022 respectively during the year and prior to aforesaid periods, applied rate was 8%.

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of manufacturing, supply of services or whole/retail sales, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5%, with effect from 1st October 2022.

4.6.1 Tax rates

Table 76: Income tax rates of Group and Company

Name of the Entity	Country of Domicile	Tax Rates		
		2023		2022
		First Six months	Second Six months	
Diesel & Motor Engineering PLC	Sri Lanka	14% / 18% / 24%	30%	14% / 18% / 24%
DIMO (Private) Limited, DIMO LifeLine (Private) Limited , DIMO Industries (Private) Limited, DIMO Travels (Private) Limited and MoveFlex (Pvt) Ltd	Sri Lanka	24%	30%	24%
Mansel Ceylon (Pvt) Limited and Associated Laboratories (Pvt) Limited	Sri Lanka	24%	30%	24%
Vergin Oil International (Private) Limited and Tropical Health Foods (Private) Limited	Sri Lanka	14% / 24%	30%	14% / 24%
PlantChem (Private) Limited and Plant Seeds (Private) Limited	Sri Lanka	24% / 18%	30%	24% / 18%
DIMO Lanka Company Limited and United DIMO Company Limited	Myanmar	22%	22%	25%
DIMO Bangladesh (Private) Ltd	Bangladesh	27.5%	27.5%	27.5%
Branch Uganda	Uganda	30%	30%	30%

Impact of Change in Income Tax Rates on Current tax

Current tax has been computed in accordance with the provisions of Inland Revenue Act No 24 of 2017 and pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on 19th of December, 2022, corporate income tax applied for local companies arising from business income has been increased from 14%, 18% and 24% to 30% w.e.f. 1st October 2022. As a result of this amendment, second 6 months of the year income tax has been calculated based on a tax rate of 30%.

Corporate taxes of non-resident companies in the Group have been computed in keeping with the domestic statutes in their respective countries.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.6.2 Tax Expense

For the year ended 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
Current Tax Expense				
Current tax on profit for the year	175,974	844,405	-	666,233
Current tax prior year	-	4,730	-	-
(Over)/under provision in respect of previous years	(29)	(4,224)	-	(34,146)
	175,945	844,911	-	632,087
Deferred Tax Expense				
Reversal of temporary differences (Note 4.6.4)	(136,833)	(533,936)	(154,649)	(472,587)
Total income tax expense	39,112	310,975	(154,649)	159,500
Effective tax rate (%)-including deferred tax	5%	27%	0%	21%
Effective tax rate (%)-excluding deferred tax	24%	73%	0%	85%

4.6.3 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
Profit before taxation	737,256	1,165,345	798,465	742,477
Disallowable expenses	3,366,890	3,837,369	2,702,855	3,269,331
Allowable expenses	(4,522,758)	(1,599,659)	(3,858,713)	(1,108,368)
Income not liable for tax	(8,553)	(256,455)	(23,766)	4,853
Claim against tax losses	33,106	-	-	-
Taxable income	(394,059)	3,146,600	(381,159)	2,908,293
Income tax				
Tax at 30%	92,207	-	-	-
Tax at 28%	2,354	-	-	-
Tax at 24%	80,215	779,676	-	601,504
Tax at 18%	1,183	38,003	-	38,003
Tax at 14%	15	26,726	-	26,726
Current tax on profit for the year	175,974	844,405	-	666,233

Current tax has been computed in accordance with the provisions of Inland Revenue Act No 24 of 2017 and the amendments thereon.

4.6.4 Recognition of Deferred Tax Expenses in the Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
Statement of Profit or Loss (Note 4.24.1)	(136,833)	(533,936)	(154,649)	(472,587)
Other Comprehensive Income (Note 4.24.1)	507,000	(6,826)	(493,614)	(3,534)
	370,167	(540,762)	(648,263)	(476,121)

As deferred tax is calculated based on the liability method as per LKAS 12 - Income taxes, the new tax rate of 30% was applied to the cumulative temporary differences as at 1st October 2022. The deferred tax (reversal) in the Income Statement includes Rs.126.3 million for the Group relating to the tax rate change on the temporary differences of previous years. The deferred tax charge in the Other Comprehensive Income statement includes Rs.493.3 million for the Group relating to the tax rate change on the temporary differences of previous years.

4.7 Earnings Per Share-Basic and Diluted

Accounting Policy-Measurement Basis

The earnings per share is calculated by dividing the profit for the year attributable to ordinary 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.

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

	Group		Company	
For the year ended 31st March	2023	2022	2023	2022
Profit attributable to ordinary shareholders (Rs.'000)	579,060	702,119	643,816	582,977
Weighted average number of ordinary shares*	9,231,494	9,231,494	9,231,494	9,231,494
Earnings per ordinary share - basic and diluted (Rs.)	62.73	76.06	69.74	63.15

As per the LKAS 33 - Earnings Per share, If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or a share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the Financial Statements are authorised for issue, the per share calculations for those and any prior period Financial Statements presented shall be based on the new number of shares.

During the last financial year ,on 07th May 2021, the Board of Directors decided to capitalize Rs. 195.3 million of its reserve as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share, subject to approval from the Colombo Stock Exchange (CSE). The CSE has approved the Board's decision on 20th May 2021. Earnings per share (both basic and diluted) have been calculated considering the effect of the above decision which is reflected in comparatives to current financial year.

4.8 Dividends

For the year ended 31st March	2023	2022
First and final dividend paid (Rs.'000)	115,394	110,955
Dividend per share (Rs.)	12.50	12.50

A first and final dividend of Rs. 10.00 per share was declared by the Board of Directors on 29th May 2023 for the Financial Year 2022/23 and which is to be paid on of before 04th July 2023. (A first and final dividend of Rs. 12.50 per share was declared by the board of directors on 31st May 2022 for the financial year 2021/2022 and was paid in 2022/23).

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

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to recommending the dividends.

First and Final Dividends for the Financial Year 2022/23

A statement of solvency completed and duly signed by the Board of Directors on 29th May 2023. The certificate of solvency audited by Messrs KPMG, Chartered Accountants will be obtained prior to payment of the dividends.

First and Final Dividends for the Financial Year 2021/22

A statement of solvency completed and duly signed by the Board of Directors on 31st May 2022 was audited by Messrs KPMG, Chartered Accountants.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.9 Property, Plant and Equipment

Accounting Policy

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and its cost of the asset can be measured reliably, in accordance with the Sri Lanka Accounting Standard - LKAS 16 on "Property Plant and Equipment".

Basis of Measurement

An item of property, plant and 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 (as explained under subsequent cost) . The cost of self-constructed assets include 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.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

Cost Model

All property, plant and equipment except freehold land, are recorded at cost, less accumulated depreciation and accumulated impairment losses, if any.

When an asset's carrying value is higher than it's recoverable amount, the carrying value is written down to its recoverable amount (Please refer Note 3.9.3 - Impairment of non-financial assets).

Revaluation Model

The Group applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Group policy is to revalue all freehold land by an independent professional valuer every three years or when there is a substantial difference between the fair value and the carrying amount.

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through Other Comprehensive Income or used to reverse a previous loss on revaluation of the same asset, which was charged to Profit or Loss. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in Profit or Loss or charged to revaluation reserve in equity through Other Comprehensive Income, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings upon disposal of the asset.

The freehold lands were valued by reference to transactions involving properties of a similar nature.

Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group and its cost can be measured reliably. The costs of day to day servicing of property, plant and equipment are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in Profit or Loss in the year the asset is derecognised.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in Profit or Loss in the period in which they are incurred.

Capital work-in-progress

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in Profit or Loss. Freehold land is not depreciated.

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

The estimated useful lives of PPE are as follows:

Class of Asset	Year
Buildings and Premises	36 - 40
Buildings on leasehold land and improvements	Over the remaining lease period
Plant and machinery	04 - 20
Tools and implements	03 - 04
Motor vehicles	03 - 04
Furniture and fittings	04 - 13
Electrical fixtures and office equipment	04 - 10
Computer hardware and accessories	02 - 04

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

Carrying Value of Property, Plant and Equipment

Group

	Freehold lands and Land improvements	Buildings and Premises	Buildings on Leasehold Land and Improvements	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Accessories	Electrical Fixtures, Furniture and Fittings and Office Equipment	Total	
									2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or Revalued Amount										
At the beginning of the year	9,727,479	2,982,171	506,320	1,622,290	366,165	880,749	363,826	756,139	17,205,139	16,845,372
On acquisition of subsidiary	72,500		181,366	65,793	41	7,200	1,529	8,129	336,557	-
Additions		72,343	9,887	167,529	22,990	2,950	72,796	33,889	382,384	483,878
Transferred from capital work-in-progress		27,337	15,636	47,418	2,383	-	-	8,746	101,520	31,260
Disposals				(48,731)	(1,177)	(6,398)	(11,646)	(1,877)	(69,828)	(113,571)
Transferred to intangible assets	-	-	-	-	-	-	-	-	-	(17,811)
Effect of movements in exchange rates			(4,030)	(1,613)	(342)	(192)	(166)	(237)	(6,581)	(23,989)
At the end of the year	9,799,979	3,081,851	709,179	1,852,686	390,060	884,309	426,339	804,789	17,949,191	17,205,139
Accumulated Depreciation										
At the beginning of the year	-	666,924	282,489	657,876	324,764	721,482	281,116	511,803	3,446,454	3,176,411
Charge for the year		86,740	41,398	120,847	18,765	44,210	44,404	46,508	402,872	383,785
On disposals		-	-	(4,598)	-	(6,292)	(12,952)	(382)	(24,223)	(91,140)
Transferred to intangible assets	-	-	-	-	-	-	-	-	-	(15,830)
Effect of movements in exchange rates		-	8,422	3,367	1,108	1,051	556	1,372	15,876	(6,772)
At the end of the year	-	753,664	332,309	777,492	344,637	760,451	313,124	559,301	3,840,979	3,446,454
Carrying amount before capital work-in-progress	9,799,979	2,328,187	376,870	1,075,193	45,423	123,858	113,215	245,488	14,108,212	13,758,685
Capital Work-in-Progress at Cost										
At the beginning of the year	969	90,348	19,793	41,523	22,929	-	119,036	18,429	313,027	189,828
Additions	-	15,594	-	19,407	4,018	22,922	52,724	345	115,011	269,817
Transferred to PPE	-	(27,337)	(15,636)	(47,418)	(2,383)	-	-	(8,746)	(101,520)	(31,260)
Derecognition	-	-	-	(3,465)	(2,231)	-	-	-	(5,696)	(115,358)
At the end of the year	969	78,605	4,157	10,047	22,333	22,922	171,760	10,028	320,822	313,027
Carrying amount as at 31st March 2023	9,800,948	2,406,792	381,027	1,085,241	67,756	146,780	284,975	255,516	14,429,034	14,071,712
Carrying amount as at 31st March 2022	9,728,448	2,421,231	227,988	1,005,937	64,330	159,267	201,746	262,765		14,071,712

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2022/23.(2021/22 – Nil).

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Property, Plant and Equipment

Company

	Freehold lands and Land improvements	Buildings and Premises	Buildings on Leasehold Land and Improvements	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Accessories	Electrical Fixtures, Furniture and Fittings and Office Equipment	Total	
									2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or Revalued Amount										
At the beginning of the year	9,666,239	2,959,130	335,665	1,530,923	326,202	716,248	305,965	706,982	16,547,354	16,197,829
Additions		9,418	-	55,476	19,669	2,950	63,923	27,727	179,162	406,949
Transferred from capital work-in-progress		27,337	15,636	47,418	2,383	-	-	8,746	101,520	30,300
Disposals	-	-	-	(47,737)	(101)	(6,398)	(11,095)	(382)	(65,712)	(73,910)
Transfers to intangible asset	-	-	-	-	-	-	-	-	-	(16,380)
Effect of movements in exchange rates	-	-	-	503	-	-	503	853	1,858	2,566
At the end of the year	9,666,239	2,995,885	351,301	1,586,583	348,153	712,800	359,296	743,926	16,764,182	16,547,354
Accumulated Depreciation										
At the beginning of the year	-	668,307	233,083	602,179	301,774	659,868	243,306	478,004	3,186,521	2,927,878
Charge for the year	-	79,690	25,543	117,222	12,576	27,523	36,036	39,301	337,891	325,957
On disposals	-	-	-	(4,598)	-	(6,292)	(12,539)	(382)	(23,811)	(52,597)
Transfers to intangible asset	-	-	-	-	-	-	-	-	-	(14,556)
Effect of movements in exchange rates	-	-	-	(11)	-	-	(27)	(129)	(167)	(161)
At the end of the year	-	747,997	258,626	714,792	314,350	681,099	266,776	516,794	3,500,434	3,186,521
Carrying amount before capital work-in-progress	9,666,239	2,247,888	92,675	871,791	33,803	31,701	92,520	227,132	13,263,748	13,360,833
Capital Work-in-Progress at Cost										
At the beginning of the year	969	81,074	19,792	41,431	7,293	-	118,973	18,300	287,832	163,948
Additions	-	15,594	-	19,407	4,018	-	52,724	345	92,088	269,542
Transferred to PPE	-	(27,337)	(15,636)	(47,418)	(2,383)	-	-	(8,746)	(101,520)	(30,300)
Derecognition	-	-	-	(3,465)	(2,233)	-	-	-	(5,698)	(115,358)
At the end of the year	969	69,331	4,156	9,955	6,695	-	171,697	9,899	272,702	287,832
Carrying amount as at 31st March 2023	9,667,208	2,317,219	96,831	881,746	40,498	31,701	264,217	237,031	13,536,452	13,648,665
Carrying amount as at 31st March 2022	9,667,208	2,371,897	106,738	970,175	47,357	56,380	181,632	247,278		13,648,665

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2022/23 (2021/22 – Nil).

4.9.1 Revaluation of Freehold Land

Freehold land was revalued as at 31st March 2021 By Messrs Ernst & Young Transaction Advisory Services (Private) Limited along with Prathap Chartered Valuation and Consultancy (Private) Limited who is a professionally qualified independent valuer. The valuation method adopted was the Market Comparable Method.

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

Location	Estimates for unobservable inputs (level 3) Rs.	Extent	Original cost Rs.'000	Revalued amount Rs.'000	Revalued amount as no. of times of cost	Freehold building square feet	No of buildings	Pledged	Mortgaged to financial institution
01. No. 65, Jetawana Road, Colombo 14* No. 56, K. Cyril C. Perera Mawatha, Colombo 14 Sanctioned Street Line	9,000,000 p.p	2A-0R-33.29P	414	3,151,000	7,611	98,247	3	No	No
02. No. 61, Jetawana Road, Colombo 14	10,000,000 p.p	0A-1R-04.00P	18,014	440,000	24	13,239	1	No	No
03. No. 74, Jetawana Road, Colombo 14	8,000,000 p.p	0A-1R-19.22P	113,808	473,700	4	5,926	1	No	No
04. No. 800, Sirimawo Bandaranaike Mawatha, Colombo 14	3,750,000 p.p	3A-3R-20.60P	641,519	2,327,000	4	202,349	1	No	No
05. No. 135, Mahena Road, Siyambalape and No. 274/A, Kakunagaha Watta, Siyambalape**	312,500 p.p	8A-3R-19.90P	37,606	440,900	12	116,829	6	No	No
06. Kirindiwela Road, Weliweriya	175,000 p.p	15A-3R-30.00P	89,958	446,200	5	239,178	5	No	No
07. No. 360, Madampitiya Road, Mahawatta, Colombo 14 ***	4,000,000 p.p	1A-2R-26.80P	301,599	1,067,000	4	-	-	-	-
08. No. 09, Kandy Road, Aathikadu Valavu,Ariyalai,Jaffna	175,000 p.p	1A-2R-26.72P	32,487	46,600	1	40,357	1	No	No
09. No.88, Dambulla Road,Yaggapitiya, Kurunegala	Front portion (320p) at 900,000 p.p and rear (480p) at 350,000 p.p	5A-0R-00.00P	54,599	456,000	8	30,304	1	-	-
10. No. 23, Kaldemulla Road, Ratmalana	1,300,000 p.p	0A-3R-27.04P	92,102	191,100	2	20,658	2	No	No
11. No. 63 & 63 A Jetawana Road, Colombo 14	10,000,000 p.p	0A-1R-08.75P	176,539	487,500	3	13,797	2	No	No
12. No.30,Kurihena, Lenadora, Dambulla	25,000 p.p	29A-0R-27.85P	68,107	116,700	2	28,049	5	No	No
13. Kahatakulama Waththa, Galkulama, Andigama	20,000 p.p	13A-3R-28.80P	7,575	44,500	6	14,426	3	No	No
14. Kumbukgaha Mula, Nabadewa, Nikaweratiya	Commercial portion (10p) at 140,000 p.p and balance (30p) at 35,000 p.p	0A-1R-00.00P	1,100	2,400	2	-	-	No	No
15 .Katuwelandahena, Panliyadda, Ibbagamuwa, Kurunegala ****	150,000 p.p	0A-1R-38.7P	11,470	11,800	1	-	-	No	No
16. Kentune Galeyaya, Kachchigala, Embilipitiya, Ratnapura *****	15,625 p.p	4A-1R-4P	4,445	10,600	2	-	-	No	No
17. Kentune Galeyaya, Kachchigala, Embilipitiya, Ratnapura*****	15,625 p.p	01A-2R-08.65P	2,343	3,800	2	-	-	No	No
Total			1,653,684	9,716,800		823,359	31		

p.p-per perch

* Land original extent is 2A-0R-33.29P, but valuation has been given only for 2A-0R-30.15P.

** Land original extent is 8A-3R-19.90P, but valuation has been given only for 8A-3R-11P.

*** Represents freehold land without building as at reporting date. - However this land is used as a vehicle yard where necessary.

**** Represents freehold land with the installation of solar power panel.

**** Represents freehold land without building as at reporting date

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Description of the valuation technique used together with a narrative description on sensitivity of the fair value measurement to changes in significant unobservable inputs are as follows:

The fair value measurement for all properties has been categorised as level 3 fair value based on the input to the valuation technique used.

Table 77: Valuation Methods

Valuation Technique	Significant Unobservable Inputs	Sensitivity of Fair Value Measurement to Inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, size, location or condition of the specific property.	Market value of land (Price per perch) . Valuer has used range of prices for respective lands based on their recently transacted cost	Estimated fair value would increase/ (decrease) if the price per perch would increase/ (decrease).

4.9.2 Fully Depreciated but still in Use

The cost of fully-depreciated property, plant and equipment of the Group and the Company which are still in use amounted to Rs. 1,857.4 million (2021/22 - Rs. 1,648.6 million) and Rs. 1577.7 million (2021/22 - Rs. 1,412.5 million) respectively.

4.9.3 Property, Plant and Equipment pledged as security against short term and long-term bank borrowing

Land and buildings of PlantChem (Private) Limited with a carrying value of Rs. 8 million (2021/22 - Rs. 11.3 million) have been pledged as security against short-term and long-term borrowing obtained.

4.9.4 Permanent Fall in Value of Property, Plant and Equipment

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

4.9.5 Title Restriction on Property, Plant and Equipment

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

4.9.6 Depreciation charge for the year is included in following line items in statement of profit or loss

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cost of sales	13,639	11,443	2,949	2,949
Administrative expenses	389,233	372,342	334,942	323,008
	402,872	383,785	337,891	325,957

4.9.7 During the Financial Year, the Group and the company acquired Property, Plant and Equipment to the aggregate value of Rs. 497.3 million and 271.3 million respectively (2021/22 - Group Rs. 753.7 million and company Rs. 676.5 million) on cash basis.

4.10 Right-of-Use Assets

Accounting Policy

Basis of Recognition

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for leases due to expire during the financial year and leases on which implications to the financial statements are not considered to be material.

The Group uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Group applies judgements in evaluating the level of certainty whether the option of renewing the lease exits or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination options. The Group has leased land and buildings with an option to renew after the original lease period. Lease terms are modified on an individual basis and contain a wide range of different terms and conditions.

Basis of Measurement

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-Use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on the straight line basis over the lease term and are in the range of 2 to 60 years.

Short-term Leases and Leases of Low-Value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Carrying value of Right-of-Use Assets

Land and Buildings	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Cost				
At the beginning of the year	991,995	733,486	849,706	615,045
Additions during the year	205,094	267,279	34,542	243,430
Derecognition of right-of-use assets	(5,644)	(11,006)	(5,644)	(11,005)
Effect of movements in exchange rates	703	2,236	235	2,236
At the end of the year	1,192,148	991,995	878,839	849,706
Accumulated Depreciation				
At the beginning of the year	367,610	253,632	301,452	209,276
Depreciation for the year (Note 4.5)	146,015	113,978	113,020	92,176
At the end of the year	513,625	367,610	414,472	301,452
Carrying amount at the end of the year	678,523	624,385	464,367	548,254
Right-of-use assets are presented in financial position as follows;				
Classified as non-current assets	678,523	624,385	464,367	548,254
	678,523	624,385	464,367	548,254

Expenses relating to short-term leases and low value leases amounting to Rs. 25.8 million (2021/22- Rs.31.8 million) has recognized in Profit or Loss.

4.11 Intangible Assets and goodwill

Accounting Policy

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".

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are recognised at their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

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 Profit or Loss as an when incurred.

Useful Economic Lives, Amortisation and Impairment

Intangible assets with finite lives are amortised using the straight-line method to write down the cost over its estimated useful economic lives and are generally recognised in Profit or Loss. Goodwill and intangible assets with indefinite useful lives are not amortised. These assets are assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

The period over which intangible assets are amortised is as follows;

Class of Asset	Amortisation Period (Years)
Computer software	04 - 05

The above rate is consistent with the rate used in the previous years. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill Arisen through Business Combination

The Group recognised an intangible asset by way of goodwill in respect of the registered and established product portfolio, customer lists, technical expertise and distribution network acquired from acquisition of the stake in each subsidiaries which mentions in Note 4.11.1 below. The management is of the opinion that the brand names of the subsidiaries acquired together with its duly registered product portfolio will bring synergies to the current product offering of the Company in each sector which it operates and bring future economic benefits to the group.

Impairment of Goodwill

Based on the impairment assessment carried out by the management at the reporting date, management assumed that no impairment is required as there is no significant change in the fair value of such acquired assets and liabilities, subsequent to the acquisition.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, is recognised in Profit or Loss in the year the asset is derecognised.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Intangible Assets

Group As at 31st March	Software Rs.'000	Goodwill Rs.'000	Total 2023 Rs.'000	2022 Rs.'000
Cost				
At the beginning of the year	148,599	117,623	266,222	243,231
Transfers from property plant and equipment	-	-	-	17,811
Additions during the year	243	798,668	798,911	5,180
Transferred from capital work-in-progress	1,269	-	1,269	-
At the end of the year	150,111	916,291	1,066,402	266,222
Accumulated Impairment /Amortisation				
At the beginning of the year	125,549	-	125,549	98,104
Transfers from property plant and equipment	-	-	-	15,830
Amortisation for the year (Note 4.5)	11,145	-	11,145	11,615
At the end of the year	136,694	-	136,694	125,549
Carrying amount before capital work-in-progress	13,417	916,291	929,708	140,674
Capital work-in-progress at cost				
At the beginning of the year	175,449	-	175,449	-
Additions during the year	364,034	-	364,034	175,449
Transferred to Intangible assets	(1,269)	-	(1,269)	-
At the end of the year	538,214	-	538,214	175,449
Carrying amount as at end of the year	551,630	916,291	1,467,922	316,123

Company As at 31st March	Software Rs.'000	Total 2023 Rs.'000	2022 Rs.'000
Cost			
At the beginning of the year	134,470	134,470	113,090
Additions during the year	-	-	5,000
Transfers from property plant and equipment	1,269	1,269	16,380
At the end of the year	135,739	135,739	134,470
Accumulated Impairment /Amortisation			
At the beginning of the year	115,193	115,193	92,328
Transfers from property plant and equipment	-	-	14,556
Amortisation for the year (Note 4.5)	7,454	7,454	8,309
At the end of the year	122,647	122,647	115,193
Carrying amount before capital work-in-progress	13,092	13,092	19,277
Capital work-in-progress at cost			
At the beginning of the year	175,449	175,449	-
Additions during the year	364,034	364,034	175,449
Transferred to Intangible assets	(1,269)	(1,269)	-
At the end of the year	538,214	538,214	175,449
Carrying amount as at end of the year	551,306	551,306	194,726

Fully amortised but still in Use

The cost of fully amortised Intangible Assets of the Group and the Company which are still in use amounted to Rs. 120.8 million (2021/22 - Rs.102.6 million) and Rs. 106.8 million (2021/22 - Rs. 98.9 million) respectively.

4.11.1 Net Carrying value of goodwill

Goodwill acquired through business combinations have been allocated to each cash generating units (CGU's) for impairment testing as follows;

As at 31st March	2023 Rs.'000	2022 Rs.'000
Plant Seeds (Private) Limited	117,623	117,623
Tropical Health Food (Private) Limited	270,526	-
Virgin Oil International (Private) Limited	150,026	-
Mansel (Ceylon) (Private) Limited	205,074	-
Associated Laborotaries (Private) Limited	173,042	-
	916,291	117,623

4.12 Investments in Subsidiaries and Equity-Accounted Investees

4.12.1 Investments in Subsidiaries

Accounting Policy

Investments in subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in Profit or Loss. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Please refer the note 2.2 to the financial statements for nature and the business operations of the subsidiary companies

The recoverable amount of goodwill is determined based on value in use calculations. The value in use was determined by discounting the future cash flows generated from the continuing use of the unit and key assumptions used are given below.

CGUs in which the carrying amount of goodwill is 'significant' in comparison with the entity's total carrying amount

Business Growth - Based on historical growth rate and business plan of next financial year (10%-42%)

Inflation - Based on the projected economic conditions

Discount rate - Average market borrowing rate adjusted for risk premium (25%)

There has been no permanent impairment of intangible assets that requires provision during the year.

Accounting Estimate - Provision for Impairment

The carrying amount of investments made in subsidiaries 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. However goodwill arising from the business combination is tested annually for impairment as given in the Note 4.12.1.

Based on impairment assessment carried out as at 31st March 2023, it was concluded that the net realisable value of all the investments included under unquoted investments exceeds its carrying value except for investment made in DIMO Company Limited and DIMO Travels (Private) Limited. Therefore, based on an assessment made for impairment, the provision given in the Note 4.12.1.3 was considered to be adequate as at the reporting date.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.12.1.1 Carrying Value of investments in subsidiaries made by the Company

As at 31st March	2023			2022		
	Holding (%)	No.of shares	Cost Rs.'000	Holding (%)	No.of shares	Cost Rs.'000
Unquoted Investment - Ordinary Shares						
DIMO (Private) Limited	99.99	25,000	250	99.99	25,000	250
DIMO Industries (Private) Limited	99.99	2,305,000	23,050	99.99	2,305,000	23,050
DIMO Travels (Private) Limited	99.80	9,981	998	99.80	9,981	998
DIMO Lanka Company Limited	99.90	78,000	128,593	99.99	78,000	128,593
PlantChem (Private) Limited	70	19,483,949	346,258	70	19,483,949	346,258
Plant Seeds (Private) Limited	70	9,027,509	357,772	70	9,027,509	357,772
Moveflex (Private) Limited	100	120,000	12,000	-	-	-
DIMO Bangladesh (Private) Ltd	99.99	618,049	213,864	-	-	-
Tropical Health Food (Private) Limited	94.45	12,670,420	450,080	-	-	-
Virgin Oil International (Private) Limited	51	7,007,991	40,000	-	-	-
Mansel (Ceylon) (Private) Limited	75	2,380,848	179,992	-	-	-
Associated Laborotaries (Private) Limited	75	2,075,145	45,010	-	-	-
			1,797,867			856,921
Impairment provision (Note 4.12.1.3)			(128,643)			(128,643)
			1,669,224			728,278

Please refer 2.2 for more details of the companies in the Group.

4.12.1.2 Carrying Value of investments made by the subsidiaries

Investment in DIMO Lanka Company Limited

On 31st August 2017, Diesel and Motor Engineering PLC invested Rs. 38.1 million in DIMO Lanka Company Limited., a subsidiary of the company, which acts as the investing arm of Diesel and Motor Engineering PLC in Myanmar. The Group has invested in the company as part of expansion programme in automobile repair and servicing business, overseas.

Investment in United DIMO Company Limited

On 27th November 2017, DIMO Lanka Company Limited, which is a fully-owned subsidiary of the Company invested Rs. 21.2 million in United DIMO Company Limited, for acquisition of 70% shares. It involved in automobile repair and servicing. The investment by DIMO Lanka Company Limited in United DIMO Company Limited was to support as an expansion programme in automobile repair and servicing business.

Investments by DIMO Lanka Company Limited

As at 31st March	2023			2022		
	Holding (%)	No.of shares	Cost Rs.'000	Holding (%)	No.of shares	Cost Rs.'000
Unquoted Investment - Ordinary Shares						
United DIMO Company Limited *	70	53,760	-	70	53,760	-

* Carrying value of investment in United Dimo Company Limited made up as follows,

As at 31st March	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	-	75,045
Impairment made during the year	-	(85,172)
Effect of movements in exchange rates	-	10,127
At the end of the year	-	-

4.12.1.3 Movement in Provision for impairment of investments in subsidiaries

As at 31st March	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	128,643	31,994
Impairment made during the year	-	96,649
At the end of the year	128,643	128,643

Opening balance of Impairment in investment in subsidiary is pertaining to DIMO Travels (Private) Limited and DIMO Lanka Company Limited, amounting to Rs.0.05 million and Rs. 128.6 million respectively.

4.12.1.1 Acquisition of additional ownership interest - Plant Chem (Private) Limited and Plant Seeds (Private) Limited

On 01st July 2021, the Company acquired an additional shareholding of 19% each in PlantChem (Private) Limited and Plant Seeds (Private) Limited, increasing its effective ownership interest 51% to 70% to a Cash consideration of Rs. 176.2 million. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with SLFRS 10 - Consolidation Financial Statements which was reported as follows in 2021/22 financial year.

	PlantChem (Private) Limited Rs.'000	Plant Seeds (Private) Limited Rs.'000	Total Rs.'000
Cash consideration paid to non-controlling shareholders	179,431	111,741	291,172
Carrying value of the additional interest acquired	97,063	70,857	167,920
Difference recognised in opening (2021/22) retained earnings	82,368	40,884	123,252

4.12.3 Goodwill or Bargaining Purchase Arising from Acquisition of Subsidiaries

The following represents the fair values of the identifiable assets and liabilities of the newly acquired subsidiaries, as at the date of acquisition.

	PlantChem (Private) Limited Rs.'000	Plant Seeds (Private) Limited Rs.'000	Tropical Health Food (Private) Limited Rs.'000	Virgin Oil International (Private) Limited Rs.'000	Mansel (Ceylon) (Private) Limited Rs.'000	Associated Laborotaries (Private) Limited Rs.'000
Assets						
Property, plant and equipment	197,337	99,362	127,834	133,883	78,312	200
Intangible Assets	-	-	-	-	243	-
Fixed Deposits	119,839	10,980	-	1,259	357,461	40,693
Deferred tax Asset	16,359		-	-	91,053	29,551
Inventories	140,924	85,743	9,002	-	22,370	9,266
Trade and other receivables	199,857	80,709	12,528	12,404	47,663	22,583
Other Current Assets	50,810	43,296	-	-	-	-
Amount Due from Related Parties	20,059	76,372	-	32,500	59,992	63,759
Cash and Cash Equivalents	16,082	14,384	78,971	2,465	76,755	28,839
Total Assets	761,267	410,846	228,335	182,511	733,849	194,891
Lease Liability	10,543	7,832	-	-	-	-
Interest bearing borrowings	-	-	-	300,333	195,667	106,998
Trade Creditors	68,081	39,903	8,489	4,557	30,649	130,670
Other current liabilities	218,255	77,665	-	4,955	-	-
Amount Due to Related Parties	76,372	20,059	-	44,143	478,623	101,165
Retirement Gratuity	9,567	1,723	6,434	4,503	23,745	11,040
Tax liability	1,914	-	-	7	-	-
Deferred tax liability	-	3,103	23,307	22,587	12,086	-
Accrued expenses	11,940	7,226	-	-	-	-
Bank overdrafts	22,534	1,552	-	17,166	26,521	15,728
Total Liabilities	419,206	159,063	38,230	398,250	767,291	365,601
Total identifiable net assets at fair value	342,061	251,783	190,105	(215,738)	(33,443)	(170,709)
Non-controlling interest measured at fair value	167,610	123,374	10,551	(105,712)	(8,361)	(42,677)
Goodwill arising on acquisition	-	117,622	270,526	150,026	205,074	173,042
Bargain purchase arising on acquisition	38,623	-	-	-	-	-
Purchased consideration	183,595	250,989	450,080	40,000	179,992	45,010
Net cash outflow on acquisition	391,534	310,864	371,109	54,701	54,758	31,899

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Acquisition-related costs

The Group incurred acquisition-related costs of Rs. 16.9 million on legal fees and due diligence costs. These costs have been included in 'Administrative expenses'.

4.12.4 Subsidiaries with Material Non-Controlling Interests

Accounting Policy

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Statement of Profit or Loss and Other Comprehensive and as a component of equity in the Statement of Financial Position, separately from equity attributable to owners of the Company.

Company invested Rs. 40.0 million, Rs. 179.9 million and Rs. 45.0 million during the financial year in acquiring Virgin Oil International (Private) Limited, Mansel (Ceylon) (Private) Limited and Associated Laboratories (Private) Limited respectively which reports material non-controlling interest, before any intra - group eliminations for the group as follows.

	United DIMO Company Limited		PlantChem (Private) Limited		Plant Seeds (Private) Limited		Virgin Oil International (Private) Limited		Mansel (Ceylon) (Private) Limited		Associated Laboratories (Private) Limited	
As at 31st March	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-controlling interest	30%	30%	30%	30%	30%	30%	49%	-	25%	-	25%	-
Summarised Statement of Financial Position												
Current assets	178,051	149,971	1,532,992	1,019,349	683,556	681,127	16,929	-	618,139	-	317,100	-
Non-current assets	44,849	62,469	152,229	153,955	174,908	120,864	75,767	-	182,578	-	43,369	-
Total assets	222,900	212,440	1,685,221	1,173,304	858,464	801,991	92,696	-	800,717	-	360,469	-
Current liabilities	260,010	215,929	613,908	379,259	148,747	274,922	304,719	-	770,194	-	448,639	-
Non-current liabilities	-	-	17,395	17,564	2,775	3,891	111,920	-	37,926	-	52,321	-
Total liabilities	260,010	215,929	631,303	396,823	151,522	278,813	416,639	-	808,120	-	500,960	-
Net assets	(37,110)	(3,489)	1,053,918	776,481	706,942	523,178	(323,943)	-	(7,403)	-	(140,491)	-
Net assets attributable to non-controlling interest	(11,133)	(1,047)	316,175	232,944	212,083	156,953	(158,732)	-	(1,851)	-	(35,123)	-
Summarised Statement of Profit of Loss and Other Comprehensive Income												
Revenue	149,631	213,044	1,437,988	1,276,659	895,212	937,728	62,344	-	92,490	-	197,040	-
Profit/(Loss) after tax	(34,983)	(74,936)	275,641	378,212	182,844	183,662	(43,909)	-	26,040	-	30,218	-
Other comprehensive income	-	-	1,797	-	919	-	-	-	-	-		-
Total comprehensive income	(34,983)	(74,936)	277,438	378,212	183,763	183,662	(43,909)	-	26,040	-	30,218	-
Profit/(Loss) attributable to non-controlling interest	(10,495)	(22,481)	82,692	113,464	54,853	55,099	(21,515)	-	6,510	-	7,555	-
Other comprehensive income attributable to non-controlling interest	-	-	539	-	276	-	-	-	-	-	-	-
Total comprehensive income attributable to non-controlling interest	(10,495)	(22,481)	83,231	113,464	55,129	55,099	(21,515)	-	6,510	-	7,555	-
Summarised statement of cash flow												
Cash flows from (used in) operating activities	59,089	27,833	(972,723)	716,342	(44,249)	308,180	(73,146)	-	(125)	-	117,661	-
Cash flows from (used in) investing activities	2,586	-	28,052	(8,837)	(165,331)	2,670	(30,491)	-	(1,217)	-	4,570	-
Cash flows from (used in) financing activities	-	(25,900)	415,385	(176,937)	7,231	(27,727)	106,102	-	48,253	-	(101,837)	-
Net increase/(decrease) in cash and cash equivalents	61,675	1,933	(529,286)	530,568	(202,349)	283,123	2,465	-	46,911	-	20,394	-

4.12.5 Equity Accounted Investees

Accounting Policy

The Equity accounted investees shown in the financial statements are Joint ventures.

Investment in DIMO Coastline (Private) Limited

On 22 February 2018, the Group acquired 40% equity interest of DIMO Coastline (Private) Limited for an aggregate consideration of Rs. 58.2 million. DIMO Coastline (Private) Limited is a company incorporated in Republic of Maldives and whose financial year ends on 31st December. The Group has acquired the company as part of expansion into marine and general engineering business overseas.

Investment in Azend Technologies (Private) Limited

On 9th November 2021, the Company invested Rs. 25.0 million in Azend Technologies (Private) Limited acquiring a 49% equity interest. During the year company further invested Rs. 51.3 million without changing it stake of holding. Azend Technologies (Private) Limited is in the business of providing information technology solutions.

The following table summarises the financial information relating to DIMO Coastline (Private) Limited and Azend Technologies (Private) Limited as included in these own Financial Statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in DIMO Coastline (Private) Limited and Azend Technologies (Private) Limited.

Statement of Financial Position

As at 31st March	DIMO Coastline (Private) Limited		Azend Technologies (Private) Limited	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Ownership interest	40%	40%	49%	49%
Non-current assets	284,060	303,748	41,769	46,693
Current assets	265,901	232,950	214,781	32,779
Total assets	549,961	536,698	256,550	79,472
Current liabilities	395,043	497,181	83,041	19,019
Non-current liabilities	103,469	-	7,476	-
Total liabilities	498,512	497,181	90,517	19,019
Net assets (100%)	51,449	39,517	166,033	60,453
Group's share of net assets	20,580	15,808	81,356	29,622
Carrying amount of interest in equity accounted investees	20,580	15,808	81,356	29,622
Statement of Profit or Loss and Other Comprehensive Income				
Revenue	468,607	370,544	282,583	65,957
Depreciation	(57,387)	(34,729)	(4,066)	(1,086)
interest expense	(26,568)	(22,909)	(3,622)	(75)
Profit/(loss) after tax	10,287	27,519	980	9,433
Total comprehensive income (100%)	10,287	27,519	980	9,433
Group's Share of results of equity accounted investee, net of tax	4,115	11,008	480	4,622

The joint ventures had no contingent liabilities or capital commitments as at 31 March 2023 (2021/22 - Nil).

Reconciliations of Summarised Financial Information

Reconciliation of the above summarised financial information to the carrying amount of the interest in equity accounted investees recognised in the Financial Statements is as follows;

	DIMO Coastline (Private) Limited		Azend Technologies (Private) Limited		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	15,808	5,285	29,622	-	45,430	5,285
Investment made during the year	-	-	51,250	25,000	51,250	25,000
Group's Share of profit/(loss) recognised in Statement of Profit or Loss and Other Comprehensive Income	4,115	11,008	480	4,622	4,595	15,630
Effect of movements in exchange rates	658	(485)	-	-	658	(485)
Carrying amount of interest in equity-accounted investees	20,581	15,808	81,352	29,622	101,933	45,430

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.13 Financial Assets and Financial Liabilities

Accounting Policies

Financial Assets

Recognition and Initial Measurement

The Group classifies financial assets at initial recognition as investment designated at FVOCI and amortised cost based on the purpose, characteristics and Management's intention in acquiring them. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is required and permitted.

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

Classification and Measurement

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because it reflects the way the business is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Company's Management;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Equity Securities measured at FVOCI

The Company's investment in equity securities are classified as Fair Value through Other Comprehensive Income (FVOCI).

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income. This election is made on an investment-by-investment basis.

Financial Asset at Amortised Cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets classified and measured at amortised cost are limited to its trade and other receivables, amounts due from related parties and cash & cash equivalents.

Subsequent Measurement and Gains and Losses

Subsequent measurement of Group's financial assets are as follows;

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Profit or Loss. Any gain or loss on derecognition is recognised in Profit or Loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in Other Comprehensive Income and are never reclassified to Profit or Loss.

Derecognition of Financial Assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in Profit or Loss.

Financial liabilities

Initial Recognition and Measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held - for - trading at the initial recognition. Financial liabilities at FVTPL are measured at fair value and any resulting gains and losses, including any interest expense, are recognised in Profit or Loss.

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

All the financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

Subsequent Measurement

Other financial liabilities are subsequently measured at amortised cost. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in Profit or Loss.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method minus any reduction for impairment.

Details of financial liabilities recognised in the Statement of Financial Position are given in Notes 4.22 and 4.27 on pages 175 and 186.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.13.1 Financial Assets and Liabilities by Category

Financial Assets

As at 31st March	Note	Group		Company	
		2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000
i. Financial assets at amortized cost					
- Trade and other receivables	4.16	7,360,070	9,299,796	4,095,221	6,944,985
- Cash and cash equivalents	4.18	2,858,970	3,818,097	1,552,370	2,337,628
- Amounts due from subsidiaries	4.30.1	-	-	2,770,036	1,070,985
- Amount due from equity accounted investees	4.30.1	53,206	40,923	53,206	40,923
- Other financial assets	4.17.1	23,277	-	-	-
ii. Financial assets designated at fair value through Other Comprehensive Income					
- Equity securities	4.14	864	7,829	864	6,952
Total financial assets		10,296,387	13,166,645	8,471,697	10,401,473

Financial Liabilities

As at 31st March	Note	Group		Company	
		2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000
i. Financial liabilities at fair value through profit or loss		-	-	-	-
ii. Financial liabilities: interest-bearing loans and borrowings					
- Current portion of long-term interest bearing borrowings	4.22.1.1	714,746	564,441	524,846	559,541
- Long-term interest bearing borrowings	4.22.1.1	1,258,065	1,164,133	1,094,703	1,164,133
- Current portion of lease liabilities	4.22.3.1	424,984	105,140	397,727	78,039
- Non-current portion of lease liabilities	4.22.3.1	348,696	574,443	135,685	505,849
- Short-term interest- bearing borrowings	4.22.2	11,757,223	7,222,967	9,977,541	5,712,212
iii. Other financial liabilities at amortized cost					
- Trade and other payables	4.27	1,506,933	7,793,051	944,545	7,292,195
- Amounts due to related parties	4.30.1	445,860	-	87,109	1,266
Total financial liabilities		16,456,507	17,424,175	13,162,156	15,313,235

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.13.2 Fair Value of Assets and Liabilities

Accounting Policies

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Fair value hierarchy

Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments;

Level 2: Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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

For assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The Group held the following financial and non-financial assets carried at fair value in the Statement of Financial Position.

			Group		Company	
As at 31st March			2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Financial Assets						
FVOCI - equity instruments	Level 1	Quoted prices in active markets	864	7,829	864	6,952
Non-Financial Assets						
Freehold land	Level 3	Significant unobservable inputs	9,799,979	9,727,479	9,666,239	9,666,239

There were not transfer between level 1 and level 2 fair value measurements during the Financial Year 2022/2023.

Fair Values

The following method and assumptions were used to measure the fair value.

- The fair value of equity instruments at FVOCI was determined based on the active market price as at the reporting date.
- The fair value of financial assets and financial liabilities at amortized cost does not materially deviate from carrying value based on amortised cost methodology as at the reporting date.
- The fair values of the following financial instruments are assumed as approximate their carrying amounts largely due to the short-term maturities of these instruments.
  - Trade and other receivables
  - Amounts due from related parties
  - Cash and cash equivalents
  - Trade and other payables

The valuation technique and inputs used in measuring the fair value of freehold land are given in Note 4.9.1.

4.13.3 Financial Risk Management

The Group has exposure mainly to the following risks from financial instruments:

a. Market risk
b. Credit risk
c. Liquidity risk

Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management process. The Group's risk management process identifies and analyses the risks it faces, establishes appropriate risk limits and controls, and monitors and manages events that could have a substantial impact on capital and earnings.

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

The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee. Further details of management of risk is available from pages 81 - 86.

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk from the cash flows of overseas operations and foreign currency transactions and balances which are affected by foreign exchange movements.

Being imports oriented, fluctuations in foreign currency exchange rates have a significant impact on the cost of materials and the stocks purchased by the Group Companies. The Group's Financial Statements which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk.

As at 31st March 2023, rupee fell by 13% against the US dollar compared to its closing rate on 31st March 2022. But during the last quarter of the financial year, an appreciation of rupee can be seen. Apart from the currency appreciation there were some improvements in foreign currency market due to the improved market liquidity. Most of the import restrictions were lifted and margin requirements for certain imports were withdrawn. However the volatility of the rupee can be expected once the foreign debt repayment commences and import restrictions are fully lifted. There is no formal guidance by Central Bank of Sri Lanka (CBSL) on exchange rate.

Group Treasury closely monitors the behaviour of exchange rates and the market conditions to provide continuous market updates to Group Management Committee (GMC) and Cluster Heads to make timely decisions. Group Treasury also proactively adopted prudent measures to mitigate the adverse impacts arising from such constraints and currency fluctuations by matching foreign currency liabilities with foreign currency assets wherever possible and by leveraging on the strong relationships the Group maintains with the Financial Institutions. With the conscious strategy of the Group to preserve foreign currency cash balances and the decision to invoice certain customers in foreign currency, Group managed to create natural hedges to the extent possible mitigating the foreign currency risk.

The overall objective of currency risk management is to reduce the short-term negative impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results.

The following table demonstrates Group exposure to currency risk as at the reporting date.

Sensitivity Analysis - Based on Exchange Rate Fluctuation

The main foreign currencies that the Group transacts in are the US dollar and the Euro. The following tables demonstrate the sensitivity to a possible change in the US dollar and Euro exchange rate, with all other variables held constant. The analysis relates only to assets and liabilities shown in Financial Statements as at 31st March 2023.

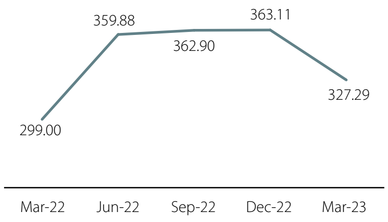
Impact to the Profitability

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
US Dollar (USD)				
Appreciation 10% (2021/22 - 21%)	190,520	626,039	78,435	787,411
Depreciation 10% (2021/22 - 21%)	(190,520)	(626,039)	(78,435)	(787,411)
Euro (EUR)				
Appreciation 10% (2021/22 - 21%)	40,287	(205)	18,323	17,091
Depreciation 10% (2021/22 - 21%)	(40,287)	205	(18,323)	(17,091)

The Group's exposure to foreign currency changes for all other currencies is not material.

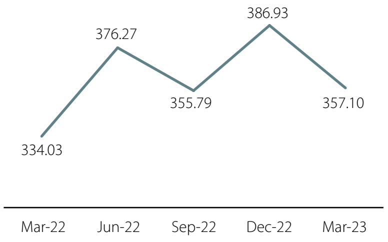
Graph 37:

Movement in Exchange Rate -USD



Graph 38:

Movement in Exchange Rate - EUR



SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are mostly linked to floating interest rates based on AWPLR.

For Long-term funding needs the Group maintains an appropriate mix of fixed and floating interest rates. Cap & floor arrangements are also negotiated wherever appropriate for long-term borrowings on floating rates. Group Treasury closely monitors the interest rate fluctuations in the market and negotiates favourable rates on borrowing to manage interest rate risk.

The interest rate profile of the Group's long-term borrowings are disclosed in the Note 4.22.1.2

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of term loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

Impact to the Profitability

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
LKR borrowings				
Increase in 300 Basis Points *	(46,590)	(34,542)	(36,776)	(34,542)
Decrease in 300 Basis Points *	46,590	34,542	36,776	34,542

*The spread of basis points for the interest rate sensitivity analysis is assumed based on movement of base floating interest rates in the market during financial year 2022/23.

(iii) Equity Price Risk

The Group is exposed to equity price risk because of investments in quoted shares held by the Group classified as Equity instruments at FVOCI.

The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Group's trade receivables.

The Group has taken several measures to manage and mitigate the credit risk including carrying out a credit evaluation as per the Group credit policy, prior to extending credit. A review of age analysis of trade receivables 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.

The Group has taken necessary steps to monitor creditors more closely and frequently to ensure that the payables are settled on time.

Credit Risk Exposure

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

As at 31st March	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade and other receivables	4.16	7,360,070	9,299,796	4,095,221	6,944,985
Other Financial Assets	4.17.1	18,461	-	-	-
Amounts due from related parties	4.30.1	53,206	40,923	2,823,242	1,070,985
Cash and Cash equivalent	4.18	2,858,970	3,818,097	1,552,370	2,337,628
Total credit risk exposure		10,290,707	13,158,816	8,470,833	10,353,598

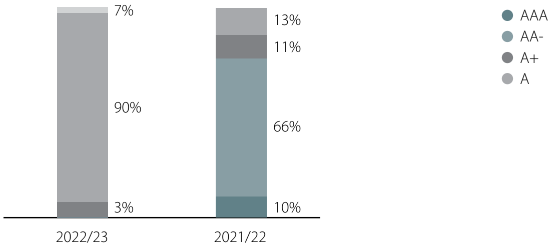
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Age analysis of trade and other receivables after provision for impairment is disclosed in Note 4.16.2.

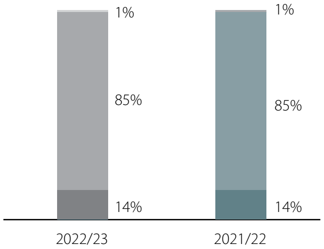
Balances with Banks

As at 31st March	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Fitch Rating				
AAA	-	373,147	-	308,862
AA-	-	2,463,261	-	1,929,670
A+	187,988	410,475	1,309,754	308
A	2,540,236	499,472	1,146,693	39,962
A-	69,170		3,117	
Total bank balances (Note 4.18)	2,797,395	3,746,355	2,459,564	2,278,802

Graph 39:
Balances with Banks - Group



Graph 40:
Balances with Banks - Company



(c) Liquidity Risk

This is the risk that the Group will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to meet any unforeseen obligations and opportunities without incurring unacceptable losses or risking damage to the Group's reputation. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to sources of funding is sufficiently available under both normal and stressed conditions.

The Group considered that Cash flow scrutiny is paramount in the days and months ahead and has adopted a disciplined approach across the Group including setting up of Group-wide spend control, reducing operating costs and deferring capital expenditure to secure the financial position of the Group. If required Group had unutilised bank facilities as at 31st March 2023 amounting to Rs. 9,644.3 million.

Given below is the summary of the maturity profile of the Group's and Company's financial liabilities based on contractual payments as at the reporting date.

As at 31 March 2023	Note	Group Within 1 year Rs.'000	Group Between 1-5 years Rs.'000	Group More than 5 years Rs.'000	Group Total Rs.'000
Long-term interest bearing borrowings	4.22.1.1	714,746	1,258,065	-	1,972,811
Short-term interest bearing borrowings	4.22.2	11,757,223	-	-	11,757,223
Lease liabilities	4.22.3.1	424,984	189,296	159,399	773,679
Trade and other payables	4.27	1,506,933	-	-	1,506,933
Amounts due to related parties	4.30.1	445,860	-	-	445,860
		14,849,746	1,447,361	159,399	16,456,506

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As at 31 March 2023	Note	Company Within 1 year Rs.'000	Between 1-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Long-term interest bearing borrowings	4.22.1.1	524,846	1,094,703	-	1,619,549
Short-term interest bearing borrowings	4.22.2	9,977,541	-	-	9,977,541
Lease liabilities	4.22.3.1	397,727	135,685	-	533,412
Trade and other payables	4.27	944,545	-	-	944,545
Amounts due to related parties	4.30.1	87,109	-	-	87,109
		11,931,768	1,230,388	-	13,162,156

As at 31 March 2022	Note	Group Within 1 year Rs.'000	Between 1-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Long-term interest bearing borrowings	4.22.1.1	759,014	1,462,132	-	2,221,146
Short-term interest bearing borrowings	4.22.2	7,674,823	-	-	7,674,823
Lease liabilities	4.22.3.1	216,667	442,884	398,823	1,058,374
Trade and other payables	4.27	7,793,051	-	-	7,793,051
		16,443,555	1,905,016	398,823	18,747,394

As at 31 March 2022	Note	Company Within 1 year Rs.'000	Between 1-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Long-term interest bearing borrowings	4.22.1.1	754,114	1,462,132	-	2,216,246
Short-term interest bearing borrowings	4.22.2	6,174,634	-	-	6,174,634
Lease liabilities	4.22.3.1	128,617	371,661	394,591	894,869
Trade and other payables	4.27	7,292,195	-	-	7,292,195
Amounts due to related parties	4.30.1	1,266	-	-	1,266
		14,350,826	1,833,793	394,591	16,579,210

4.13.4 Capital Risk Management

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

a. Appropriately allocate capital to meet strategic objectives.

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

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

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

Given below is a summary of the capital structure of the Group and the Company as follows:

As at 31st March	Group 2023 Rs.'000	2022 Rs.'000	Company 2023 Rs.'000	2022 Rs.'000
Interest bearing borrowings	13,730,034	8,951,541	11,597,090	7,435,886
Equity	14,976,304	15,060,883	13,699,279	13,682,601
Total equity and interest bearing borrowings	28,706,338	24,012,424	25,296,369	21,118,487
Gearing ratio (%)	47.8%	37.3%	45.8%	35.2%

4.14 Equity Securities

Accounting Policy

After initial measurement, Equity Securities are subsequently measured at fair value. Dividends are recognized as income in Profit or Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains or losses are recognized in Other Comprehensive Income and are never reclassified to Profit or Loss.

The fair values of quoted shares are based on bid prices at the end of the reporting period. (Fair Value hierarchy - level 1)

Dividends earned whilst holding equity Securities are recognised in Profit or Loss as 'Other Operating Income' when the right to receive the payment has been established.

The Company designated the investments shown below as equity investments at FVOCI because these equity investments represent investments that the Company intends to hold for strategic purpose.

Carrying Value of equity instruments

As at 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
Carrying Value as at beginning of the year	7,829	5,605	6,952	5,537
Additions	-	8,595	-	6,917
Disposals	(6,837)	-	(5,960)	-
Fair value (loss)	(128)	(6,371)	(128)	(5,502)
Carrying Value as at the end of the year	864	7,829	864	6,952

The Group and the Company has disposed Rs.6.8 million and Rs.5.9 million of its invested shares respectively and has gained a disposal cumulative loss of Rs. 1.6 million and Rs. 2.5 million during the year.

Above has disclosed as a transfer within the equity in the financial statements.

As at 31st March	Group No. of shares	 Market value per share 2023 Rs.	 Total cost Rs.'000	 Fair value 2023 Rs.'000	 2022 Rs.'000	Company No. of shares	 Market value per share 2023 Rs.	 Total cost Rs.'000	 Fair value 2023 Rs.'000	 2022 Rs.'000
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	-	-	-	-	1,755	-	-	-	-	878
Hatton National Bank PLC (non-voting)	-	-	-	-	4,018	-	-	-	-	4,018
Ceylinco Insurance PLC (non-voting)	820	1,054	144	864	2,056	820	1,054	144	864	2,056
			144	864	7,829			144	864	6,952

4.15 Inventories

Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated cost of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- Raw materials – At actual cost on a weighted average basis
- Finished goods – At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs.
- Work-in-progress – Remaining incomplete work-in-progress are stated at cost.
- Stock-in-trade – Inventories that are not interchangeable are valued by identifying their specific individual costs, and inventories that are interchangeable are valued using weighted average cost.
- Other inventories – At actual cost
- Goods-in-transit are recognised at actual cost as at reporting date.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Inventories

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Raw material	1,035,320	1,538,277	722,592	1,455,976
Stock-in-trade and finish goods	7,036,305	5,655,673	5,695,924	5,349,389
Work-in-progress	2,959,511	2,607,209	716,377	763,795
Provision on inventories (Note 4.15.1)	(1,297,195)	(513,868)	(1,101,961)	(432,821)
	9,733,941	9,287,291	6,032,932	7,136,339
Goods-in-transit	244,525	512,658	70,455	392,861
Total inventories at the lower of cost and net realisable value	9,978,466	9,799,949	6,103,387	7,529,200

4.15.1 Provision on inventories

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	513,868	415,953	432,821	320,730
Provision on inventories	783,327	97,915	669,140	112,091
At the end of the year	1,297,195	513,868	1,101,961	432,821

Details of inventories jointly with trade receivables have been pledged as security for short-term borrowings are given in Note 4.16.3.

Inventory written off of Rs. 5.3 million has been made during the financial year 2022/23.

During the current financial year, 14.8 Million (2021/22 - Nil) has recognised in income statement as an expense for inventories carried at net realisable value

4.16 Trade and Other Receivables

Accounting Policy

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

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

Accounting estimate - provision for impairment

Group makes impairment for receivables based on the simplified approach to provide for Expected Credit Losses (ECLs) as per SLFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The allowance is provided by considering evidence of impairment for receivables at both an individual asset and at a collective level. All individually significant receivables are individually assessed for impairment by considering objective evidence i.e. experiencing a significant financial difficulty or default in payments by a customer. All individually insignificant debtors and based on management judgment, similar risk characteristic debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping them together based on similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred, and makes an adjustment if current and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

Carrying Value of Trade and Other Receivables

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade receivables	7,498,737	9,624,913	4,896,675	7,381,610
Provision for impairment (Note 4.16.1)	(1,208,924)	(1,135,298)	(1,013,647)	(895,436)
	6,289,813	8,489,615	3,883,028	6,486,174
Other receivables	13,114	29,446	9,135	29,583
Deposits	1,057,143	780,735	203,058	429,228
	7,360,070	9,299,796	4,095,221	6,944,985

4.16.1 Movement in Provision for Impairment of Trade Receivables

As at 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
At the beginning of the year	1,135,298	1,123,532	895,436	953,100
Additions through subsidiaries	3,360	-	-	-
Provision made during the year (Note 4.16.4.1)	79,680	117,195	124,838	40,370
Write-off during the year	(9,414)	(105,429)	(6,627)	(98,034)
At the end of the year	1,208,924	1,135,298	1,013,647	895,436

Trade receivables which were written off during the year are not subject to any of enforcement activity.

4.16.1.1 Impairment loss on Trade Receivables

For the year ended 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
Impairment loss on Trade Receivables (4.16.1)	79,680	117,195	124,838	40,370

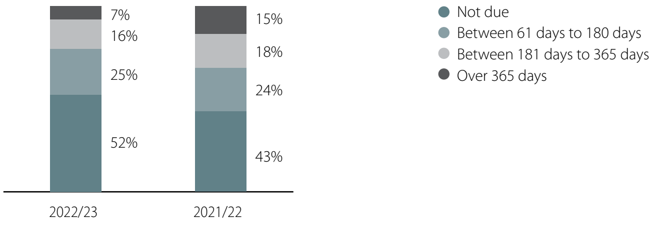
4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

Group	2023 Gross debtor Rs.'000	 Impairment Rs.'000	 Net debtor Rs.'000	2022 Gross debtor Rs.'000	 Impairment Rs.'000	 Net debtor Rs.'000
Between 0 days to 60 days	3,323,994	32,622	3,291,372	3,696,073	25,933	3,670,140
Between 61 days to 180 days	1,575,325	35,913	1,539,412	2,062,441	60,579	2,001,862
Between 181 days to 365 days	1,098,013	102,109	995,904	1,645,909	115,488	1,530,421
Over 365 days	1,501,405	1,038,280	463,125	2,220,490	933,298	1,287,192
Total	7,498,737	1,208,924	6,289,813	9,624,913	1,135,298	8,489,615

Company	2023 Gross debtor Rs.'000	 Impairment Rs.'000	 Net debtor Rs.'000	2022 Gross debtor Rs.'000	 Impairment Rs.'000	 Net debtor Rs.'000
Between 0 days to 60 days	2,158,576	22,313	2,136,263	2,750,326	20,079	2,730,247
Between 61 days to 180 days	930,120	24,014	906,106	1,356,262	40,624	1,315,638
Between 181 days to 365 days	676,179	56,634	619,545	1,250,355	65,333	1,185,022
Over 365 days	1,131,800	910,686	221,114	2,024,667	769,400	1,255,267
Total	4,896,675	1,013,647	3,883,028	7,381,610	895,436	6,486,174

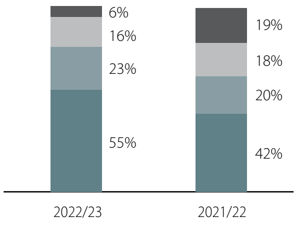
Graph 41:

Trade Receivables Age Analysis - Group



Graph 42:

Trade Receivables Age Analysis - Company



SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.16.3 Carrying Amount of Trade Receivables, Net of Impairment, are Denominated in the following Currencies

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Currency				
Sri Lankan Rupees	5,371,607	7,513,836	3,246,432	5,833,013
US Dollar	442,340	540,270	230,560	306,745
Euro	62,662	124,607	15,790	98,740
Japanese Yen	-	271	-	271
Other	413,204	310,630	390,246	247,405
	6,289,813	8,489,615	3,883,028	6,486,174

Banking facilities for subsidiaries, PlantChem (Private) Limited and Plant Seeds (Private) Limited have been obtained by providing a concurrent mortgage on book debts and inventories.

4.16.4 Terms of Trade and Other Receivables

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

4.17 Other Current assets

Accounting Policy

The Group classifies all non-financial current assets under other current assets. Other current assets mainly comprise of advances, prepayments, statutory receivables and other miscellaneous receivables.

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

Carrying Value of Other Current Assets

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Advances and prepayments	1,697,363	1,855,642	1,096,300	1,109,104
Other receivables	235,884	177,291	45,892	40,071
Other financial Assets (Note 4.17.1)	4,816	-	-	-
	1,938,063	2,032,933	1,142,192	1,149,175

4.17.1 Other financial assets

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Advance given	24,080	-	-	-
Repayments	(803)			
	23,277	-	-	-
Current	4,816	-	-	-
Non-current	18,461	-	-	-
	23,277	-	-	-

DIMO Bangladesh Pvt. Ltd has provided an advance to landlord in Bangladesh to construct a workshop and give back to the company on lease terms. Total advance amount is Rs. 8.0 million Bangladesh Taka and expected to be recover in 60 monthly instalments (5 years) starting from 1st February 2023 onwards. Monthly instalment of 133,333 BDT will be deducted from lease rental which is payable by the company to landlord.

4.18 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise of cash at bank and in hand and deposits with short-term maturity (i.e. three months or less from date of investment). Cash and bank balances are stated at recoverable values. There were no cash and cash equivalents held by the Group companies that were not available for use.

Bank overdrafts form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of preparing the Statement of Cash Flows.

Carrying Value of Cash and Cash Equivalents

As at 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
Bank balances	2,511,273	3,199,122	1,337,798	2,135,976
Cash in hand	61,575	71,742	51,511	58,826
Short-term deposits	286,122	547,233	163,061	142,826
	2,858,970	3,818,097	1,552,370	2,337,628

Review of Credit Risk

The credit risk relating to Group bank balances are analysed according to credit ratings of each bank which is available on page xx.

4.18.1 Carrying Amount of Cash and Cash Equivalents are Denominated in the following Currencies

As at 31st March	Group 2023 Rs.'000	 2022 Rs.'000	Company 2023 Rs.'000	 2022 Rs.'000
Currency				
Sri Lankan Rupees	1,153,141	2,102,109	587,162	970,540
US Dollar	1,409,121	1,551,990	822,014	1,277,713
Euro	294,380	163,997	140,866	89,374
Other	2,328	1	2,328	1
	2,858,970	3,818,097	1,552,370	2,337,628

4.19 Stated Capital

	Company No. of Shares	 2023 Rs.'000	 No. of Shares	 2022 Rs.'000
Ordinary Shares				
Issued and fully-paid ordinary shares				
At the beginning of the year	9,231,494	620,578	8,876,437	425,297
Capitalisation of reserves*	-	-	355,057	195,281
At the end of the year	9,231,494	620,578	9,231,494	620,578

*On 07th May 2021, the Board of Directors decided to capitalize Rs. 195.3 million of its reserves as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.20 Revenue Reserve

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	8,237,608	7,976,680	6,912,926	6,647,374
Statement of Profit or Loss and Other Comprehensive Income				
Profit for the year	579,060	702,119	643,816	582,977
Derecognition of financial assets due to disposal - FVOCI	6,837	-	5,960	-
Final dividend paid in 2021/22	(115,394)	(110,955)	(115,394)	(110,955)
Capitalisation of reserves	-	(195,281)	-	(195,281)
Acquisition of non-controlling interests	-	(123,252)	-	-
Other Comprehensive Income				
Actuarial (loss)/ gain arising from employees benefits (net of tax)	35,654	(11,703)	29,898	(11,189)
At the end of the year	8,743,765	8,237,608	7,477,206	6,912,926

Revenue reserves includes general reserves and retained earnings.

General reserve represents the amounts set aside by the Directors to meet any contingencies and potential future unknown liabilities. The Group transfers the surplus profit, after retaining sufficient profits to pay final dividends declared from retained earnings account to the general reserve account.

4.21 Other Components of Equity

	Group		Company	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	6,202,697	6,140,005	6,149,097	6,098,741
Other Comprehensive Income				
Revaluation of freehold land, net of tax (Note 4.21.1)	(493,562)	-	(480,800)	-
Net fair value gain/(loss) on remeasuring equity securities	(1,604)	2,224	(2,529)	1,415
Derecognition of financial assets due to disposal -FVOCI	(6,837)	-	(5,960)	-
Foreign currency translation reserve (Note 4.21.2)	(88,733)	60,468	(58,313)	48,941
At the end of the year	5,611,961	6,202,697	5,601,495	6,149,097

4.21.1 Revaluation Reserve

The Revaluation reserve comprises the net surplus resulting from the revaluation of land as described in the Note 4.9.1.

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	6,112,161	6,112,161	6,090,133	6,090,133
Income tax rate change impact on revaluation of freehold land	(493,562)	-	(480,800)	-
At the end of the year	5,618,599	6,112,161	5,609,333	6,090,133

4.21.2 Foreign Currency Translation Reserve

The Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	84,165	23,697	53,462	4,521
Net gains arising from translating the Financial Statements of foreign operations	(86,246)	62,471	(58,313)	48,941
Foreign currency translation reserve attributable to non-controlling Interest	(1,224)	(2,003)	-	-
	(88,733)	60,468	(58,313)	48,941
At the end of the year	(3,305)	84,165	(4,851)	53,462

4.22 Interest Bearing Borrowings

Borrowings are initially recognised at fair value less any directly attributable transaction costs. 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 Profit or Loss over the period of the loan using the effective interest method.

4.22.1 Long-Term Interest Bearing Borrowings

4.22.1.1 Movement of long-term interest bearing borrowings

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	1,723,062	1,484,698	1,718,162	1,458,680
Acquisition through business combination (Note 4.12.3)	440,408	-	-	-
Loans obtained during the year	440,000	652,130	440,000	652,130
Repayments during the year	(654,151)	(481,796)	(580,921)	(460,678)
Effect of movements in exchange rates	12,553	68,030	32,642	68,030
At the end of the year (before adjusting interest payable)	1,961,872	1,723,062	1,609,883	1,718,162
Interest payable	10,939	5,512	9,666	5,512
At the end of the year	1,972,811	1,728,574	1,619,549	1,723,674
Classified as current liabilities (repayable within one year)	714,746	564,441	524,846	559,541
Classified as non-current liabilities (repayable after one year)	1,258,065	1,164,133	1,094,703	1,164,133
	1,972,811	1,728,574	1,619,549	1,723,674

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4.22.1.2 Security and Repayment Terms of Long-Term Interest Bearing Borrowings

Group As at 31st March	Interest rate	Principal amount '000	Repayment term	Security	Outstanding Value	
					2023 Rs.'000	2022 Rs.'000
Diesel & Motor Engineering PLC (LKR)						
Commercial Bank of Ceylon PLC	Variable	500,000	Monthly	Clean basis	209,500	309,100
Commercial Bank of Ceylon PLC	Fixed	500,000	Monthly	Clean basis	334,000	433,600
Hong Kong & Shanghai Banking Corporation Ltd	Fixed	600,000	Monthly	Clean basis	50,000	170,000
Hatton National bank PLC	Variable	800,000	Monthly	Clean basis	439,820	599,900
Sampath Bank PLC	Variable	440,000	Monthly	Clean basis	430,000	-
Diesel & Motor Engineering PLC (USD)						
Hong Kong & Shanghai Banking Corporation Ltd	Variable	750	Monthly	Clean basis	146,563	205,562
Associated Laborataries (Pvt) Ltd (LKR)						
Commercial Bank of Ceylon PLC	Variable	25,000	Monthly	Fixed deposit	11,100	-
Commercial Bank of Ceylon PLC	Variable	83,592	Monthly	Fixed deposit	67,331	-
National Development Bank	Fixed	17,900	Monthly	Fixed deposits/ inventory	4,882	-
Mansel (Ceylon) (Private) Limited (LKR)						
Commercial Bank of Ceylon PLC	Variable	120,000	Monthly	Fixed deposit	21,420	-
Commercial Bank of Ceylon PLC	Variable	33,000	Monthly	Fixed deposit	18,150	-
Commercial Bank of Ceylon PLC	Variable	15,000	Monthly	Fixed deposit	12,081	-
National Development Bank	Fixed	71,095	Monthly	Fixed deposits/ inventory	19,997	-
Virgin Oil International (Pvt) Limited (LKR)						
Sampath Bank PLC	Variable	148,901	Monthly	Registered primary mortgage bond	148,900	-
Sampath Bank PLC	Variable	47,129	Monthly		47,130	-
Sampath Bank PLC	Variable	1,410	Quarterly		998	-
PlantChem (Private) Limited						
Sampath Bank PLC	Variable	15,000	Monthly	Clean basis	-	3,000
Plant Seeds (Private) Limited						
Sampath Bank PLC	Variable	10,000	Monthly	Clean basis	-	1,900
					1,961,872	1,723,062

Company As at 31st March	Interest rate	Principal amount '000	Repayment term	Security	Outstanding Value	
					2023 Rs.'000	2022 Rs.'000
(LKR)						
Commercial Bank of Ceylon PLC	Variable	500,000	Monthly	Clean basis	209,500	309,100
Commercial Bank of Ceylon PLC	Fixed	500,000	Monthly	Clean basis	334,000	433,600
Hong Kong & Shanghai Banking Corporation Ltd	Fixed	600,000	Monthly	Clean basis	50,000	170,000
Hatton National bank PLC	Variable	800,000	Monthly	Clean basis	439,820	599,900
Sampath Bank PLC	Variable	440,000	Monthly	Clean basis	430,000	-
(USD)						
Hong Kong & Shanghai Banking Corporation Ltd	Variable	750	Monthly	Clean basis	146,563	205,562
					1,609,883	1,718,162

Details of assets pledged against long-term loan facilities are disclosed in the Note 4.9.3.

4.22.1.3 Analysis of Long-term Interest Bearing Borrowings by the year of Repayment

Group	Commercial Bank of Ceylon PLC	Hong Kong & Shanghai Banking Corporation Ltd	Hatton National Bank PLC	Sampath Bank PLC	National Development Bank	Total	
						2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement of Loans							
At the beginning of the year	742,700	375,562	599,900	4,900	-	1,723,062	1,484,698
Acquisition through business combination (Note 4.12.3)	170,516	-	-	222,430	47,463	440,409	-
Loans obtained during the year	-	-	-	440,000	-	440,000	652,130
Repayments during the year	(239,635)	(211,640)	(160,080)	(20,212)	(22,584)	(654,151)	(481,796)
Effect of movements in exchange rates	-	32,641	-	(20,089)	-	12,552	68,030
At the end of the year	673,581	196,564	439,820	627,028	24,879	1,961,872	1,723,062
Interest payable	1,996	353	6,737	1,853	-	10,939	5,512
At the end of the year	675,577	196,917	446,557	628,881	24,879	1,972,811	1,728,574
Analysis of long-term interest bearing borrowings by period of repayment							
- Less than 1 year	270,334	98,754	166,817	153,962	24,879	714,746	564,441
- 1 to 5 year	405,243	98,163	279,740	474,919	-	1,258,065	1,164,133
	675,577	196,917	446,557	628,881	24,879	1,972,811	1,728,574

Company	Sampath Bank PLC	Commercial Bank of Ceylon PLC	Hong Kong & Shanghai Banking Corporation Ltd	Hatton National Bank PLC	Total	
					2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement of Loans						
At the beginning of the year	-	742,700	375,562	599,900	1,718,162	1,458,680
Loans obtained during the year	440,000	-	-	-	440,000	652,130
Repayments during the year	(10,000)	(199,200)	(211,641)	(160,080)	(580,921)	(460,678)
Effect of movements in exchange rates	-	-	32,642	-	32,642	68,030
At the end of the year	430,000	543,500	196,563	439,820	1,609,883	1,718,162
Interest payable	1,853	723	353	6,737	9,666	5,512
At the end of the year	431,853	544,223	196,916	446,557	1,619,549	1,723,674
Analysis of long-term borrowings by period of repayment						
- Less than 1 year	59,353	199,923	98,754	166,817	524,846	559,541
- 1 to 5 year	372,500	344,300	98,163	279,740	1,094,703	1,164,133
	431,853	544,223	196,916	446,557	1,619,549	1,723,674

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.22.2 Short-Term Interest- Bearing Borrowings

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Short-term bank loans	11,466,406	7,058,348	9,789,954	5,673,791
Bank overdrafts	290,817	164,619	187,587	38,421
	11,757,223	7,222,967	9,977,541	5,712,212

Short-term bank loans are repayable within a period of six months. Details of inventories and trade receivables which have been pledged against the above short-term loan facilities are disclosed in Note 4.16.3.

Unutilised bank facilities as at 31st March 2023 amounted to Rs. 9,644.3 million (2021/22 - Rs.6,190.1 million).

4.22.3 Lease Liabilities

Accounting Policy

At the inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

This policy is applied to contracts entered into, on or after 1 April 2019.

4.22.3.1 Movement of Lease Liabilities

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cost				
At the beginning of the year	679,583	535,994	583,888	423,105
Additions during the year	197,402	264,524	34,541	240,675
Accretion of interest (Note 4.4)	67,558	66,872	56,569	56,416
Payments to lease creditors	(165,222)	(166,871)	(135,942)	(115,372)
Derecognition of lease agreements during the year	(5,644)	(24,233)	(5,644)	(24,233)
Effect of movements in exchange rates	3	3,297	-	3,297
At the end of the year	773,680	679,583	533,412	583,888
Lease liabilities presented in Statement of Financial Position as follows;				
Classified as non-current liabilities	348,696	574,443	135,685	505,849
Classified as current liabilities	424,984	105,140	397,727	78,039
	773,680	679,583	533,412	583,888
Maturity Analysis of lease payments				
- Less than 1 year	424,984	105,140	397,727	78,039
- 1 to 5 year	189,297	341,133	135,685	277,066
- More than 5 years	159,399	233,310	-	228,783
	773,680	679,583	533,412	583,888
Interest recognised in net finance cost (Note 4.4)	67,558	66,872	56,569	56,416
Depreciation of right-of-use asstes recognised in administrative expenses (Note 4.5)	146,015	113,978	113,020	92,176

The Group and Company had total cash outflows for leases of Rs. 165.2 million and Rs. 135.9 million in 2022/2023. (2021/2022 - Rs. 166.9 million and Rs. 115.3 million) respectively.

4.23 Employee Benefits

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan

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

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits' Obligations for contributions to defined contribution plans are recognised in Profit or Loss as the related service is provided.

Defined benefit obligation

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees.

Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS -19 on 'Employee Benefits'.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date. The calculation is performed annually by Messer. Actuarial & management Consultants (Private) limited, firm of professional qualified actuary using the Projected Unit Credit method (PUC). Remeasurement of the defined benefit liability, which comprises actuarial gains and losses are recognised immediately in Other Comprehensive Income. The Group recognises the increase in defined benefit liability attributable to the services provided by employees during the year (current service cost) in Profit or Loss together with the interest expenses. In the absence of a deep market in long-term corporate bonds in Sri Lanka, the discount rate has been derived, and approximation of a long-term interest rate of 19% (2021/22 - 14%) has been used to discount future liabilities.

The liability is not externally funded.

Accounting Estimate

The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. The complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4.23.1 Movement in Defined Benefit Obligation

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
At the beginning of the year	864,286	798,008	781,892	715,839
Acquisition through business combinations	45,246	-	-	-
Included in Profit or Loss				
Current service cost	73,918	59,964	55,118	49,690
Past service cost *	-	(428)	-	(486)
Interest cost	119,199	66,185	109,465	60,846
	193,117	125,721	164,583	110,050
Included in Other Comprehensive Income				
Net actuarial loss/(gain)	(49,315)	15,399	(42,712)	14,723
Total charge for the year	143,802	141,120	121,871	124,773
Included in Statement of Cash Flows				
Benefits paid during the year	(62,972)	(74,842)	(33,859)	(58,720)
At the end of the year	990,362	864,286	869,903	781,892
The expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the following line item;				
Administrative expenses (Note 4.5)	193,117	125,721	164,583	110,050
Other Comprehensive Income	(49,315)	15,399	(42,712)	14,723
	143,802	141,120	121,871	124,773

* In previous financial year the Group reassessed defined benefit obligation taking into consideration the retirement age revision under the 'Minimum retirement age of workers Act No. 28 of 2021'. This reassessment resulted in a net reversal of liability which was immediately reversed to the statement of Profit or Loss as it is considered as a change to the plan in compliance with the Sri Lanka Accounting Standard 'LKAS 19 – Employee Benefits' in 2021/22 which is reflects in comparative to the current financials.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.23.2 Principal Actuarial Assumptions

Assumption	2023	2022
Financial		
Rate of discount	19% p.a.	14% p.a.
Salary escalation rate	14.5% in 2023 , 12% in 2024 and thereafter 10% p.a.	13.5% in 2022 , 12% in 2023 and thereafter 10% p.a.
Demographic		
Mortality-in service	A 1967/70 mortality table, issued by the Institute of Actuaries, London	
Retirement age		
- An executive employee	60 years	60 years
- A non-executive employee	60 Years	60 Years
Staff turnover		
Up to age 54	0% - 27%	13%
Above age 54	0%	0%
Weighted average duration of the defined benefit obligation		
Diesel & Motor Engineering PLC	1.92	3.12
DIMO (Private) Limited	3.10	4.88
PlantChem (Private) Limited	6.26	-
Plant Seeds (Private) Limited	5.42	-
Tropical Health Foods (Private) Limited	2.85	-

The demographic assumptions underlying the valuation are with respect to retirement age early withdrawals from service and retirement on medical grounds.

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 2023 amounted to Rs. 937.6 million (2021/22- Rs.831.4 million) and Rs. 852.7 million (2021/22- Rs.757.9 million) respectively.

4.23.3 Sensitivity Analysis

A one percentage change at the reporting date to one of the actuarial assumptions would have the following effects to defined benefit obligation.

2023	Change in defined benefit obligation				Defined benefit obligation			
Assumption	Group		Company		Group		Company	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000
Rate of discount	(44,809)	(10,660)	(14,037)	14,744	945,552	979,701	855,866	884,647
Salary escalation rate	(5,878)	(49,654)	18,941	(18,294)	984,483	940,708	888,844	851,609

2022	Change in defined benefit obligation				Defined benefit obligation			
Assumption	Group		Company		Group		Company	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000	Rs.’000
Rate of discount	(23,779)	25,854	(20,912)	22,730	827,641	877,274	760,980	804,622
Salary escalation rate	29,703	(27,761)	26,205	(24,506)	881,123	823,659	808,097	757,386

4.23.4 Maturity Analysis of the Payments

The table below summarises the maturity profile of the Group’s/ Company’s defined benefit obligation.

As at 31st March	Group	Company
	Rs.’000	Rs.’000
Within the next 12 months	556,153	508,442
Between 1 - 2 years	212,942	179,990
Between 2 - 5 years	148,309	122,566
Between 5 - 10 years	60,156	49,886
Beyond 10 years	12,802	9,019
	990,362	869,903

4.24 Deferred Tax

Accounting Policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Accounting Estimate

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available and can be utilised against such tax losses. Judgement 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, together with future tax-planning strategies.

Recoverability of Temporary Difference Arising from Tax Losses

As at 31st March 2023, the Group has recognised Rs. 1,719.4 million (2021/22: Rs. 1261.1 million) as a deferred tax assets on the deductible temporary differences arising from tax losses, defined benefit obligations, obsolete stocks, debtor impairment, free service provision and warranty provision. According to the Group policy, deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. In the back ground of the Business Continuity Plans in place, the Board of Directors has assessed the current economic implications on the Group and is of the view that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.24.1 Carrying Value of Deferred Tax Assets/(Liabilities)

As at 31st March	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	(1,253,420)	(1,794,182)	(1,417,856)	(1,893,977)
Reversal/(origination) of temporary differences to Profit or Loss due to during the year transactions	10,497	533,936	(280,984)	472,587
Reversal/(origination) of temporary differences to Profit or Loss due to income tax rate change	126,336	-	126,336	-
	136,833	533,936	(154,649)	472,587
Deferred tax recognition with business acquisition	57,342	-	-	-
Reversal/(origination) of temporary differences to Other Comprehensive Income due to during the year transactions (Note 4.24.2)	(13,660)	3,696	(12,814)	3,534
Reversal/(origination) of temporary differences to Other Comprehensive Income due to rate change	(493,462)	3,130	(480,800)	-
	(507,000)	6,826	(493,614)	3,534
At the end of the year (Note 4.24.1)	(1,566,245)	(1,253,420)	(2,066,118)	(1,417,856)
Made up as follows:				
Deferred tax assets	565,422	164,436	-	-
Deferred tax liabilities	(2,131,667)	(1,417,856)	(2,066,118)	(1,417,856)
	(1,566,245)	(1,253,420)	(2,066,118)	(1,417,856)

During the year ended 31st March 2023, the income tax rates applicable to the Group have been revised based on the amendments to the Inland Revenue Act No. 24 of 2017. Accordingly, deferred tax impact due to the change in the income tax rates was recognised in Profit or Loss and Other Comprehensive Income as detailed above.

4.24.2 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Deferred tax liability				
Temporary difference arising from;				
Property, plant and equipment	(10,869,671)	(10,394,544)	(10,492,451)	(10,316,599)
Long-term contracts	(82,547)	(82,547)	5,253	5,253
Total temporary difference of deferred tax liability	(10,952,218)	(10,477,091)	(10,487,198)	(10,311,346)
Closing deferred tax liability @ 30%	(3,285,665)	-	(3,146,159)	-
Closing deferred tax liability @ 24%	-	(2,514,502)	-	(2,474,723)
	(3,285,665)	(2,514,502)	(3,146,159)	(2,474,723)
Temporary difference arising from;				
Defined benefit obligation	1,000,961	864,092	874,557	781,892
Provision for inventories	1,293,101	510,710	1,101,961	433,252
Provision for impairment of trade receivables	931,473	868,166	739,920	621,687
Provision for free services	49,015	27,086	49,015	27,086
SLFRS 15 adjustments on rebates	322,215	257,442	183,486	174,328
SLFRS 16 adjustments on leases	117,508	91,821	99,771	91,821
Provision for warranty	78,076	46,944	62,931	32,019
Tax losses	1,913,090	363,313	381,150	-
Provision for other receivables	31,673	-	31,673	-
Unrealised exchange gain/(loss)	(51,014)	1,663,292	39,014	1,785,687
Provision for staff bonus and incentives	45,303	490,163	36,654	455,839
Provision for customer incentive	-	71,481	-	-
Total temporary difference of deferred tax assets	5,731,401	5,254,510	3,600,133	4,403,611
Closing deferred tax assets @ 30%	1,719,420	-	1,080,040	-
Closing deferred tax assets @ 24%		1,261,082		1,056,867
	1,719,420	1,261,082	1,080,040	1,056,867
Net temporary differences	(5,220,817)	(5,222,581)	(6,887,065)	(5,907,735)
Net deferred tax liability	(1,566,245)	(1,253,420)	(2,066,118)	(1,417,856)

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.24.3 Movement in Deferred Tax Assets and Liabilities during the Year

Assumption	Group				Company			
	As at 01.04.2022 Rs.’000	Recognised in Profit or Loss Rs.’000	Recognised in Other Comprehensive Income Rs.’000	As at 31.03.2023 Rs.’000	As at 01.04.2022 Rs.’000	Recognised in Profit or Loss Rs.’000	Recognised in Other Comprehensive Income Rs.’000	As at 31.03.2023 Rs.’000
Deferred Tax Asset								
Retirement benefit obligation	207,384	106,564	(13,660)	300,288	187,654	87,527	(12,814)	262,367
Provision for inventories	121,313	266,617	-	387,930	103,980	226,608	-	330,588
Provision for impairment of trade receivables	208,415	71,027	-	279,442	149,238	72,771	-	222,009
Provision for warranty	11,266	12,157	-	23,423	7,684	11,195	-	18,879
Provision for free service	6,500	8,204	-	14,704	6,500	8,204	-	14,704
SLFRS 15 adjustments on rebates	61,786	34,878	-	96,664	41,839	(8,830)	-	33,009
SLFRS 16 adjustments on leases	22,036	13,216	-	35,252	22,036	29,931	-	51,967
Provision for other receivables	-	9,502	-	9,502	-	9,502	-	9,502
Provision for staff bonus and incentives	117,639	(104,048)	-	13,591	109,402	(98,405)	-	10,997
Provision for customer incentive	17,156	(17,156)	-	-	-	-	-	-
Unrealised exchange gain/(loss)	415,882	(431,186)	-	(15,304)	429,051	(416,861)	-	12,190
Tax losses	75,590	498,337	-	573,927	-	114,345	-	114,345
Total Deferred Tax Asset	1,264,967	468,112	(13,660)	1,719,419	1,057,384	35,987	(12,814)	1,080,557
Deferred tax liability								
Property Plant and Equipments	(566,780)	(326,327)	-	(835,765)	(553,301)	(190,952)		(744,253)
Revaluation of lands	(1,931,795)	-	(493,462)	(2,425,257)	(1,923,199)	-	(480,800)	(2,403,999)
Long-term contracts	(19,812)	(4,952)	-	(24,764)	1,260	315		1,575
Total Deferred Tax Liability	(2,518,387)	(331,279)	(493,462)	(3,285,664)	(2,475,240)	(190,637)	(480,800)	(3,146,677)
	(1,253,420)	136,833	(507,000)	(1,566,245)	(1,417,856)	(154,649)	(493,614)	(2,066,119)

4.24.4 Tax Loss Movement

As at 31st March	Group		Company	
	2023 Rs.’000	2022 Rs.’000	2023 Rs.’000	2022 Rs.’000
Tax losses brought forward	(337,236)	(337,236)	-	-
Tax losses arising during the year	(1,124,814)	-	(381,159)	-
Adjustment arised on business acquisition	(606,700)	-	-	-
Tax Loss Reversal	41,038	-	-	-
Tax losses carried forward	(2,027,713)	(337,236)	(381,159)	-

4.25 Contract Liabilities

4.25.1 Contract Liabilities

Accounting Policy

Contract liabilities are the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount of consideration is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unprovided free services relating to vehicle sales.

Upon transferring the promised goods or services related to the liability, amount will be recognised as revenue in Statement of Profit or Loss and Other Comprehensive income.

Unprovided Free Services Relating to Vehicle Sales

Accounting Policy

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

Accounting Estimate - Relative Fair Value of Free Services

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

Carrying Value of Contract Liabilities

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance beginning of the year	1,583,096	1,183,210	388,021	508,489
During the year addition	5,828,953	8,000,584	3,241,924	3,973,727
Recognised as revenue during the year	(5,884,138)	(7,635,601)	(3,158,061)	(4,091,713)
Interest income during the year	(38,504)	(35,895)	(18,084)	(11,905)
Interest expense during the year	100,941	70,798	24,906	9,423
At the end of the year	1,590,348	1,583,096	478,706	388,021
Classified as current liabilities	1,302,993	1,221,572	470,970	365,358
Classified as non-current liabilities	287,355	361,524	7,736	22,663
	1,590,348	1,583,096	478,706	388,021

4.26 Provisions

Accounting Policy

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

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

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

4.26.2 Warranty Provisions

The provision for warranty relates mainly to vehicles sold for which the company gives warranty commencing from the date of sale. The warranty received by manufacturer is effective from date of shipment. This causes a time window during which the company is exposed to warranty liability. A provision for warranty is recognised to cover such exposure to a liability. The provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said warranty provision will be reversed upon expiration of the warranty period.

4.26.3 Provision for Litigation and Claims

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. The timing and cost ultimately depend on the due process in the respective legal jurisdictions.

	Group		Company	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for warranty (Note 4.26.3.1)	78,076	46,944	62,931	32,018
	89,076	57,944	73,931	43,018

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.26.3.1 Carrying value of warranty provision

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance Beginning of the year	46,944	31,239	32,018	26,842
Provision made during the year	49,186	23,672	43,564	9,736
Amount reversed during the year	(18,054)	(7,967)	(12,651)	(4,560)
Carrying value at the end of the year	78,076	46,944	62,931	32,018

4.27 Trade and Other Payables

Accounting Policy

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

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

Carrying Value of Trade and Other Payables

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Trade payables	1,506,933	7,678,115	944,555	7,177,259
Other payables	-	114,936	-	114,936
	1,506,933	7,793,051	944,555	7,292,195

4.27.1 Carrying Amount of Trade and Other Payables are Denominated in the following Currencies

As at 31st March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Currency				
Sri Lankan Rupees	999,919	1,281,979	477,610	1,152,119
US Dollar	458,294	5,868,318	418,215	5,580,356
Euro	48,720	515,708	48,720	432,674
Other	-	127,046	-	127,046
	1,506,933	7,793,051	944,545	7,292,195

4.27.2 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Group and the Company as at the year-end was 0.64 and 0.68 respectively (2021/22 - Group 0.75:1, Company 0.69:1). As a liquidity risk management measure, the Group continuously compare trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

Unutilised banking facilities are given in Note 4.22.2.

4.28 Other Current Liabilities

Accounting Policy

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

Carrying Value of Other Current Liabilities

As at 31st March	Group 2023 Rs.'000	2022 Rs.'000	Company 2023 Rs.'000	2022 Rs.'000
Advanced received	829,667	455,053	546,530	349,371
Unclaimed dividend	11,895	11,094	11,828	11,094
Value Added Tax (VAT)	24,018	8,691	-	8,691
Provisions for litigation and claims (Note 4.26.3)	11,000	11,000	11,000	11,000
Provision for warranty (Note 4.26.3)	78,076	46,944	62,931	32,018
Other payables and accrued expenses	1,997,844	2,512,642	1,148,739	1,767,048
	2,952,500	3,045,424	1,781,028	2,179,222

Details of provisions are disclosed in Note 4.26

4.28.1 Terms of Settlement of Other Current Liabilities

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

4.29 Income tax asset and liability

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

Carrying Value of Current Tax Asset/(Liability)

As at 31st March	Group 2023 Rs.'000	2022 Rs.'000	Company 2023 Rs.'000	2022 Rs.'000
Opening balance	(420,289)	6,994	(441,451)	(79,276)
Current tax for the year (Note 4.6)	(175,844)	(844,911)	-	(632,087)
	(596,233)	(837,917)	(441,451)	(711,363)
Income tax paid during the year	620,315	417,628	457,883	269,912
Income tax (liability)/asset	24,082	(420,289)	16,432	(441,451)
Income tax receivable	111,453	83,377	16,632	-
Income tax payable	(87,372)	(503,666)	-	(441,451)
	24,082	(420,289)	16,632	(441,451)

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.30 Amounts due (to)/from Subsidiaries and Equity-Accounted Investees

Name of the Company	DIMO (Private) Limited	DIMO Industries (Private) Limited	DIMO Travels (Private) Limited	Moveflex (Private) Limited	DIMO Lifeline (Private) Limited	PlantChem (Private) Limited	Plant Seeds (Private) Limited	DIMO Lanka Company Limited	United DIMO Company Limited	DIMO Coastline (Private) Limited*	Azend Technologies (Private) Limited*	Virgin Oil International (Private) Limited	Tropical Health Foods (Private) Limited	Mansel (Ceylon) (Private) Limited	Associated Laboratories (Private) Limited	DIMO Bangladesh (Private) Limited	As at 31.03.2023	As at 31.03.2022
Shareholding	99.99%	99.99%	99.80%	100%	75%	70%	70%	99.90%	70%	40%	49%	51%	94.45%	75%	75%	99.99%		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	883,495	(1,266)	802	38,311	65,005	38,861	3,588	-	-	27,468	13,455	-	-	-	-	-	1,069,719	(16,125)
Sale of goods and services	238,670	-	-	823	-	1,398	3,277	-	-	787	-	1,039	1,558	-	-	-	247,552	65,573
Purchase of goods and services	(331,204)	(301)	-	(108,801)	-	(37,539)	(34,182)	-	-	-	-	-	-	-	-	-	(512,027)	(216,646)
Rendering of management services	287,701		-	-	-	17,638	9,100	-	-	-	-	-	-	-	-	-	314,439	284,799
Expenses incurred on behalf of subsidiaries/ equity accounted investees	69,353	-	23	(7,405)	8	3,464	2,233	-	-	(6,490)	5,760	38,626	51,000	13	8	-	156,593	35,945
Fund transfers - net	549,872	(5,568)	-	89,686	-	(35,095)	19,748	-	-	(1,371)	(19,115)	(1,479)	(3,650)	(73,790)	(15,018)	-	504,220	899,179
Interest on fund transfers - net	427,773	1,016	-	683				-	-	-		-	-	-	-	-	429,472	6,084
Short Term Loans granted/(obtained)	-	-	-	-	-	-	-	-	-	-	30,000	70,000	130,000	259,000	-	-	489,000	-
Interest income on loan granted	-	-	-	-	-	-	-	-	-	-	278	8,405	6,569	19,479	-	-	34,731	-
Sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,766
Exchange rate translation difference	-	-	-	-	-	-	-	-	-	2,434	-	-	-	-	-	-	2,434	8,144
Closing balance due (to)/from related parties	2,125,660	(6,119)	825	13,297	65,013	(11,273)	3,764	-	-	22,828	30,378	116,591	185,477	204,702	(15,010)	-	2,736,133	1,069,719

*DIMO Coastline (Private) Limited and Azend Technologies (Private) Limited are equity-accounted investees.

4.30.1 Summary of Amounts due (to)/from Subsidiaries and Equity-Accounted Investees Comprise:

4.30.1.1 Amounts due from Subsidiaries and Equity-Accounted Investees

As at 31st March	Relationship	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
DIMO (Private) Limited	Subsidiary	-	-	2,126,070	883,495
DIMO Travels (Private) Limited	Subsidiary	-	-	825	802
Moveflex (Private) Limited	Subsidiary	-	-	13,295	38,311
DIMO Lifeline (Private) Limited	Subsidiary	-	-	65,013	65,005
PlantChem (Private) Limited	Subsidiary	-	-	-	38,861
Plant Seeds (Private) Limited	Subsidiary	-	-	3,764	3,588
DIMO Coastline (Private) Limited	Joint Venture	22,828	27,468	22,828	27,468
Azend Technologies (Private) Limited	Joint Venture	30,378	13,455	30,378	13,455
Virgin Oil International (Private) Limited	Subsidiary	-	-	116,591	-
Tropical Health Foods (Private) Limited	Subsidiary	-	-	185,478	-
Mansel (Ceylon) (Private) Limited	Subsidiary	-	-	259,000	-
Total		53,206	40,923	2,823,242	1,070,985

4.30.1.2 Amounts due (to) Subsidiaries and Equity-Accounted Investees

As at 31st March	Relationship	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
DIMO (Private) Limited	Subsidiary	-	-	(410)	-
DIMO Industries (Private) Limited	Subsidiary	-	-	(6,118)	(1,266)
PlantChem (Private) Limited	Subsidiary	-	-	(11,273)	-
Mansel (Ceylon) (Private) Limited	Subsidiary	-	-	(54,298)	-
Associated Laboratories (Private) Limited	Subsidiary	-	-	(15,010)	-
Total		-	-	(87,109)	(1,266)

4.30.1.3 Amounts due (to) Related Parties

As at 31st March	Group 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Amounts due (to) related parties	(445,860)	-	-	-
Grand total	(392,654)	40,923	2,736,133	1,069,719

Amounts due to related parties include an amount due to Ms. L.W.B. De Silva, from Mansel (Ceylon) (Private) Limited and Associated Laboratories (Private) Limited of Rs. 347 million and Rs. 98 million respectivly.

Ms. L.W.B. De Silva is a shareholder and a director of Mansel (Ceylon) (Private) Limited and Associated Laboratories (Private) Limited.

4.30.2 Other Transactions with Subsidiaries and Equity-Accounted Investees

During the year Company invested Rs. 51.25 million in Azend Technologies (Private) Limited as disclosed in the Note 2.1.1.

SECTION 5 - OTHER DISCLOSURES

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards not covered elsewhere.

5.1 Related Party Disclosures

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

Diesel & Motor Engineering PLC does not have an identifiable parent of its own. The Company is the ultimate parent of the Group.

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

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 directly or indirectly. Accordingly, the members of the Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMP. As the Company is the ultimate parent of the subsidiaries (listed in Note 4.12.1), 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 and Non-Executive) are KMP of the Group.

Key Management Personnel (KMP) are entitled to discount schemes which are uniformly applicable to all employees 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 KMP of the respective subsidiary only.

The Group revenue includes sales made to Key Management Personnel amounting to Rs. 15.9 million (2021/22- Rs. 4.5 million).

5.1.1 (b)The Compensation Paid to Key Management Personnel (KMP)

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 2023 Rs.'000	Group 2022 Rs.'000	Company 2023 Rs.'000	Company 2022 Rs.'000
Short-term employment benefits	582,214	472,187	553,600	440,147
Post-employment benefits	119,215	79,785	117,409	79,785
Total compensation applicable to Key Management Personnel	701,429	551,972	671,009	519,932

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 disclosed under Employee Benefits in Note 4.23.1 to the Financial Statements.

5.1.1 (c) Transactions with Close Family Members of Key Management Personnel (KMP)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include ;

(a) that person's children and spouse or domestic partner

(b) children of that person's spouse or domestic partner and

(c) dependants of that person or that person's spouse or domestic partner

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

5.1.2 Transactions with Companies in which Key Management Personnel (KMP) have Control or Significant Influence

There were no transactions with companies on which KMP have control.

The transactions with companies in which KMP is a Director of such entities are disclosed in 'Directors' Interests in Contracts' on page 119.

5.1.3 Terms and Conditions of Transactions with the Companies on which Key Management Personnel (KMP) have Control or Significant Influence

Outstanding balances at the year-end relating to the companies on which KMP have control or significant influence over these companies 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 2023.

5.1.4 Transactions with Group Entities

The Group and the Company carried out transactions in the ordinary course of business with its related parties as arms length transactions. The list of Directors at each of the subsidiary / equity accounted invetees have been disclosed in the Corporate Information section of the Annual Report. The details are set out in Corporate Information section.

The Group has not recorded any impairment for receivables relating to amount owed by Group entities.

There are no related parties or related party transactions other than those disclosed in Note 4.30 to the Financial Statements.

5.1.4 (a) Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Group as per 31 st March 2023 audited Financial Statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

5.1.4 (b) Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2023 audited Financial Statements, which required additional disclosures in the 2022/23 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

5.2 Commitments and Contingencies

Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amounted to approximately Rs.1,593.7 million (2021/22 - Rs. 778.3 million).

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". Further, contingent liabilities are not recognised in Statement of Financial Position but are disclosed unless its occurrence is remote.

A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Currently the Group/Company is involved in legal actions arising out of the normal course of the business. The Group/Company does not expect the pending litigations and claims, individually and in aggregate, to have a material impact on the reported financial results of the Group.

SECTION 5 - OTHER DISCLOSURES

Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2023 amounted to Rs.67.9 million (2021/22 - Rs. 67.9 million). 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.

Guarantees

The contingent liabilities as at 31st March 2023 on guarantees given by Diesel & Motor Engineering PLC and its subsidiaries, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 5,094.9 million (2021/22 - Rs. 4,106.7 million).

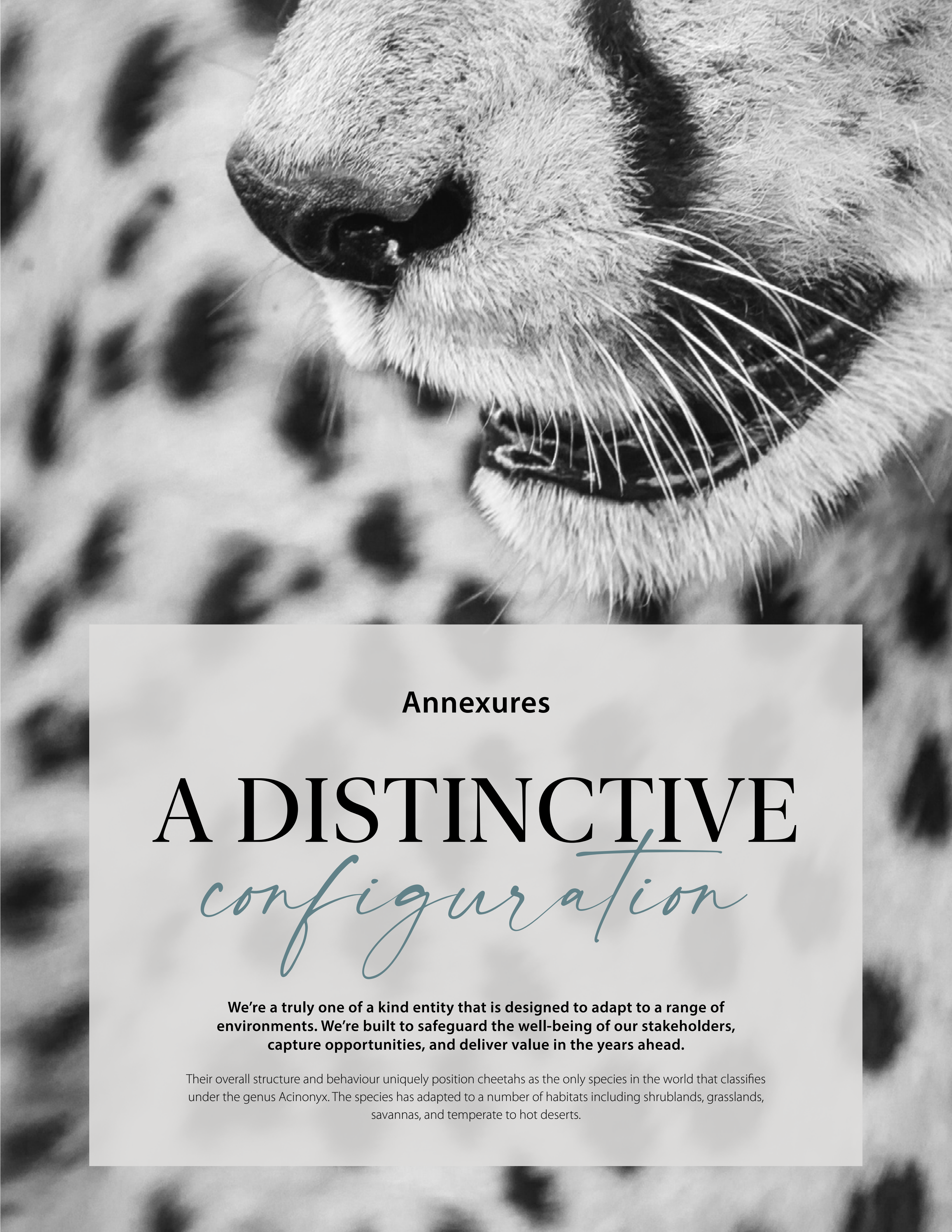
5.3 Events Occurring After the Reporting Period

No circumstances have arisen since the reporting date which would require adjustments or disclosures in the Financial Statements other than disclose below,

5.3.1 First and Final Dividend

Subsequent to the reporting date, the Board of directors of the company approved a first and final dividend of Rs. 10.00 per share for the year ended 31st March 2023. Details of the above dividend are disclosed in Note 4.8 to the Financial Statements.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2023.



Annexures

A DISTINCTIVE *configuration*

We're a truly one of a kind entity that is designed to adapt to a range of environments. We're built to safeguard the well-being of our stakeholders, capture opportunities, and deliver value in the years ahead.

Their overall structure and behaviour uniquely position cheetahs as the only species in the world that classifies under the genus Acinonyx. The species has adapted to a number of habitats including shrublands, grasslands, savannas, and temperate to hot deserts.

GRI CONTENT INDEX

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	Page(s) or URL(s)
Statement of use :	Diesel & Motor Engineering PLC has reported in accordance with the GRI Standards for the period 01st April 2022 to 31st March 2023					
GRI 1 used	GRI 1: Foundation 2021					
Applicable GRI Sector Standard(s)	[Titles of the applicable GRI Sector Standards]					
GRI 2	General disclosures					
	1. The organization and its reporting practices					
2-1	Organisational details					8-9
2-2	Entities included in the organisation's sustainability reporting					8-9
2-3	Reporting period, frequency and contact point					4-5
2-4	Restatements of information					4-5
2-5	External assurance					4-5
	2. Activities and workers					
2-6	Activities, value chain and other business relationships					24-25 30-41
2-7	Employees					96-107
2-8	Workers who are not employees					96-107
	3. Governance					
2-9	Governance structure and composition					58
2-10	Nomination and selection of the highest governance body					71
2-11	Chair of the highest governance body					64
2-12	Role of the highest governance body in overseeing the management of impacts					64-65
2-13	Delegation of responsibility for managing impacts					91
2-14	Role of the highest governance body in sustainability reporting					91
2-15	Conflicts of interest					68
2-16	Communication of critical concerns					68 96
2-17	Collective knowledge of the highest governance body					59
2-18	Evaluation of the performance of the highest governance body					60
2-19	Remuneration policies					65
2-20	Process to determine remuneration					65
2-21	Annual total compensation ratio					190
	4. Strategy, policies and practices					
2-22	Statement on sustainable development strategy					88-90
2-23	Policy commitments					88-90
2-24	Embedding policy commitments					88-90
2-25	Processes to remediate negative impacts					96-107
2-26	Mechanisms for seeking advice and raising concerns					96-107
2-27	Compliance with laws and regulations					96-107
2-28	Membership associations					Web Link
	5. Stakeholder engagement					
2-29	Approach to stakeholder engagement					77-80
2-30	Collective bargaining agreements					Web Link

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	Page(s) or URL(s)
GRI 3	**Material Topics**					
	1. The organization and its reporting practices					
3-1	Process to determine material topics Meeting with CFO to understand materiality					77-80
3-2	List of material topics List of Material topics and board approval for the same.					77-80
3-3	Management of material topics Stakeholder engagement details such as surveys, interviews etc.					77-80 81-86 90

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
GRI 200 Economic Standard Series					
Economic Performance					
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	96-107			
	201-2 Financial implications and other risks and opportunities due to climate change	81-86			
	201-3 Defined benefit plan obligations and other retirement plans	179-181			
	201-4 Financial assistance received from government	179-181			
Indirect Economic Impacts					
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	96-107			
	203-2 Significant indirect economic impacts	96-107			
Procurement Practices					
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	55			
GRI 300 Environmental Standards Series					
Materials					
GRI 301: Materials 2016	301-1 Materials used by weight or volume	96-107			
	301-2 Recycled input materials used	96-107			
	301-3 Reclaimed products and their packaging materials	96-107			
Energy					
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	96-107			
	302-2 Energy consumption outside of the organisation	96-107			
	302-3 Energy intensity	96-107			
	302-4 Reduction of energy consumption	96-107			
	302-5 Reductions in energy requirements of products and services	96-107			
Water					
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	96-107			
	303-2 Management of water discharge-related impacts	96-107			
	303-3 Water withdrawal	96-107			
	303-4 Water discharge	96-107			

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Emissions					
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	96-107			
	305-2 Energy indirect (Scope 2) GHG emissions	96-107			
	305-3 Other indirect (Scope 3) GHG emissions	96-107			
	305-4 GHG emissions intensity	96-107			
	305-5 Reduction of GHG emissions	96-107			
	305-6 Emissions of ozone-depleting substances (ODS)	96-107			
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	96-107			
Effluents and Waste					
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	96-107			
	306-2 Waste by type and disposal method	96-107			
	306-3 Significant spills	96-107			
	306-4 Transport of hazardous waste	96-107			
	306-5 Water bodies affected by water discharges and/or runoff	96-107			
Environmental Compliance					
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	96-107			
GRI 400 Social Standards Series					
Employment					
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	96-107			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	96-107			
	401-3 Parental leave				
Labour/Management Relations					
GRI 402: Labour/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	96-107			
Occupational Health and Safety					
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	96-107			
	403-2 Hazard identification, risk assessment, and incident investigation	96-107			
	403-3 Occupational health services	96-107			
	403-4 Worker participation, consultation, and communication on occupational health and safety	96-107			
	403-5 Worker training on occupational health and safety	96-107			
	403-6 Promotion of worker health	96-107			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	96-107			
	403-9 Work-related injuries	96-107			
Training and Education					
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	96-107			
	404-2 Programs for upgrading employee skills and transition assistance programs	96-107			
	404-3 Percentage of employees receiving regular performance and career development reviews	96-107			
Non-discrimination					
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	96-107			

GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Human Rights Assessment					
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	96-107			
	412-2 Employee training on human rights policies or procedures	96-107			
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	96-107			
Local Communities					
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	96-107			
	413-2 Operations with significant actual and potential negative impacts on local communities	96-107			
Customer Health and Safety					
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	96-107			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	96-107			
Marketing and Labelling					
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	96-107			
	417-2 Incidents of non-compliance concerning product and service information and labelling	96-107			
	417-3 Incidents of non-compliance concerning marketing communications	96-107			
Customer Privacy					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	96-107			
Socioeconomic Compliance					
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	96-107			

SASB INDICATORS

Sector as per SASB Standard	Industry as per SASB Standard	Topic	Accounting Metric	Code	Page number(s) and/or URL(s)	Omission		
						Part	Full	Reason
Food & Beverages	Agricultural Products	Greenhouse Gas Emissions	Gross global Scope 1 emissions	FB-AG-110a.1	Reference			
			Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	FB-AG-110a.2	89-90			
			Fleet fuel consumed, percentage renewable	FB-AG-110a.3	96			
		Energy Management	Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	FB-AG-130a.1	96			
		Water Management	Total water withdrawn, (2) total water consumed	FB-AG-140a.1	96			
			Description of water management risks and discussion of strategies and practices to mitigate those risks	FB-AG-140a.2	85-86			
			Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	FB-AG-140a.3	96			
		Food Safety	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	FB-AG-250a.1	52-53			
			Percentage of agricultural products sourced from suppliers certified to a Global Food Safety Initiative (GFSI) recognized food safety certification program	FB-AG-250a.2	52-53			
			(1) Number of recalls issued and (2) total amount of food product recalled	FB-AG-250a.3	THF had one recall from Germany during the financial year amounting to 18 million. Remediation actions: DIMO stop intermediary purchases and started sourcing directly from the farmers. Samples are verified at the lab before and after purchase and before dispatch. No other recalls.			
		Workforce Health & Safety	(1) Total recordable incident rate	FB-AG-320a.1	96			
		Environmental & Social Impacts of Ingredient Supply Chain	Percentage of agricultural products sourced that are certified to a third-party environmental and/or social standard, and percentages by standard	FB-AG-430a.1	52-53			
			Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	FB-AG-430a.2	52-53			
			Discussion of strategy to manage environmental and social risks arising from contract growing and commodity sourcing	FB-AG-430a.3	85-86			

Sector as per SASB Standard	Industry as per SASB Standard	Topic	Accounting Metric	Code	Page number(s) and/or URL(s)	Omission		
						Part	Full	Reason
Food & Beverages	Agricultural Products	GMO Management	Discussion of strategies to manage the use of genetically modified organisms (GMOs)	FB-AG-430b.1			X	Not applicable as GMOs are not part of DIMOs product range
		Ingredient	Identification of principal crops and description of risks and opportunities presented by climate change	FB-AG-440a.1	85-86			
			Percentage of agricultural products sourced from regions with High or Extremely High Baseline Water Stress	FB-AG-440a.2			X	Not applicable as according to the Food and Agriculture Organization of the United Nations, Sri Lanka's level of water stress is 90.8%, indicating a high level of water stress. Regional stress level will be evaluated and reported going forward
		Activity metrics	Production by principal crop	FB-AG-000.A	38-39			
			Number of processing facilities	FB-AG-000.B	48-49			
			Total land area under active production	FB-AG-000.C	48-49			
			Cost of agricultural products sourced externally	FB-AG-000.D	38-39			
Consumer Goods	Multiline and Specialty Retailers & Distributors	Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	CG-MR-130a.1	96			
		Data Security	Description of approach to identifying and addressing data security risks	CG-MR-230a.1	85-86			
			(1) Number of data breaches (2) percentage involving personally identifiable information (PII) (3) number of customers affected	CG-MR-230a.2	96			
		Labour Practices	(1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region	CG-MR-310a.1			X	Data unavailable as the classifications are not defined for the diverse sectors. This information will be collected and reported in the future.
			(1) Voluntary and (2) involuntary turnover rate for in-store employees	CG-MR-310a.2			X	
			Total amount of monetary losses as a result of legal proceedings associated with labour law violations	CG-MR-310a.2	No monetary losses as a result of legal proceedings associated with labour law violations			

SASB INDICATORS

Sector as per SASB Standard	Industry as per SASB Standard	Topic	Accounting Metric	Code	Page number(s) and/or URL(s)	Omission		
						Part	Full	Reason
Consumer Goods	**Multiline and Specialty Retailers & Distributors**	Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	CG-MR-330a.1	96			
			Total amount of monetary losses as a result of legal proceedings associated with employment discrimination	CG-MR-330a.1	No monetary losses as a result of legal proceedings associated with employment discrimination			
		Product Sourcing, Packaging & Marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	CG-MR-410a.1	90			
			Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	CG-MR-410a.2	85-86			
			Discussion of strategies to reduce the environmental impact of packaging	CG-MR-410a.2	34-35			
		Activity metrics	Number of: (1) retail locations and (2) distribution centres	CG-MR-000.A	48-49			
			Total area of: (1) retail space and (2) distribution centres	CG-MR-000.A		X		Partially covered. Total area is being collated for future reporting
Infrastructure	**Engineering & Construction Services**	Environmental Impacts of Project Development	Number of incidents of non-compliance with environmental permits, standards, and regulations	IF-EN-160a.1	96			
			Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	IF-EN-160a.2	85-86			
		Structural Integrity & Safety	Amount of defect- and safety-related rework costs	IF-EN-250a.1			X	While individual project rework costs exist, quantification for overall cost and definition of rework costs were not incorporated. Data is being collated for future reporting
			Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	IF-EN-250a.2	No monetary losses as a result of legal proceedings associated with defect- and safety-related incidents			

Sector as per SASB Standard	Industry as per SASB Standard	Topic	Accounting Metric	Code	Page number(s) and/or URL(s)	Omission		
						Part	Full	Reason
Infrastructure	**Engineering & Construction Services**	Workforce health & Safety	Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	IF-EN-320a.1	96 Fatality rate is not applicable as it is nil. (Fatality Rate - measures the severity of an injury by defining the total number of deaths as a proportion of reported cases at a specific time)			
		Lifecycle Impacts of Buildings & Infrastructures	Number of (1) commissioned projects certified to a third-party multi-attribute sustainability standard and (2) active projects seeking such certification	IF-EN-410a.1	https://www.dimolanka.com/investor-relations/			
			Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design	IF-EN-410a.2	Dimo projects are around efficiency and			
		Climate Impacts of Business Mix	Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects	IF-EN-410b.1	No backlogs for (1) hydrocarbon-related projects and 12 for renewable energy projects			
			Amount of backlog cancellations associated with hydrocarbon-related projects	IF-EN-410b.2	Not applicable as no Backlogs			
			Amount of backlog for non-energy projects associated with climate change mitigation	IF-EN-410b.3	Not applicable as no Backlogs			
		Business Ethics	(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	IF-EN-510a.1	No business in the 20 lowest rankings in Transparency International's Corruption Perception Index. Operations in Myanmar suspended. (21st Ranking)			

SASB INDICATORS

Sector as per SASB Standard	Industry as per SASB Standard	Topic	Accounting Metric	Code	Page number(s) and/or URL(s)	Omission		
						Part	Full	Reason
Infrastructure	Engineering & Construction Services	Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices	IF-EN-510a.2	No monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices			
			Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behaviour in the project bidding processes	IF-EN-510a.3	50-53			
		Activity metrics	Number of active projects	IF-EN-000.A	https://www.dimolanka.com/investor-relations/			
			Number of commissioned projects	IF-EN-000.B	https://www.dimolanka.com/investor-relations/			
			Total backlog	IF-EN-000.C	https://www.dimolanka.com/investor-relations/			

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF DIESEL & MOTOR ENGINEERING PLC

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We have been engaged by the Directors of Diesel & Motor Engineering PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31 March 2023 (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

Basis for Conclusion

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies;
- Used our professional judgement to plan and perform the engagement to provide limited assurance that we are not aware of any material misstatements in the Company's Integrated Report, whether due to fraud or error; and
- Considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness.

Our Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

Limited Assurance Integrated Report

Based on the evidence we obtained from the assurance procedures performed, as described below, we are not aware of any material misstatements that causes us to believe that the Integrated Report, as defined above, for the year ended 31st March 2023, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- Determining that the criteria is appropriate to meet the needs of intended users, being the Company's members and any other intended users.
- Preparing and presenting of the Integrated Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.
- Ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice
- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Company's Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information;
- Design and implementation of internal controls that the Company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Processes to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the Integrated Report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.
- The responsibility also includes informing changes in the Company's Operations since the date of our most recent assurance report on the Integrated reporting information.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF DIESEL & MOTOR ENGINEERING PLC

KPMG

Our responsibility

Our responsibility is to perform an external assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Limited assurance on the Integrated Report

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the

   Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting.
3. Reviewing the description of the Company's strategy and how the Company creates value in the Integrated Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Integrated Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders.
6. Reviewing Board minutes to ensure consistency with the content of the Integrated Report.
7. Reading the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.
8. Obtaining a letter of representation from management dated 05 June 2023 on the content of the Company's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

Limitations of our review

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

kpmg

Chartered Accountants

Colombo
05th June 2023

TEN YEAR SUMMARY

Year Ended 31st March	2022/23 Rs.'000	2021/22 Rs.'000	2020/2021 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000	2017/2018 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
Operating Results										
Revenue	35,299,201	37,507,480	30,819,014	34,557,871	38,300,350	43,686,158	44,492,990	37,749,750	28,037,376	20,884,674
Profit before taxation	737,256	1,165,345	720,111	279,527	104,119	716,607	1,043,392	1,380,059	847,033	512,858
Income tax	(39,112)	(310,975)	(183,845)	(78,383)	(27,436)	(193,391)	(386,601)	(433,453)	(250,950)	(119,317)
Profit for the year	698,114	854,370	536,266	201,144	76,683	523,216	656,791	946,606	596,083	393,541
Profit attributable to equity holders of the parent	579,060	702,119	486,713	195,011	51,307	519,309	656,791	946,606	596,083	393,541
Capital Employed										
Stated capital	620,578	620,578	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297
Other components of equity	5,611,961	6,202,697	6,140,005	4,077,499	4,055,979	4,050,962	2,839,898	2,839,356	2,838,894	2,018,475
Revenue reserves	8,743,765	8,237,608	7,976,680	7,476,214	7,259,568	7,268,900	6,899,747	6,725,026	5,973,747	5,473,721
Non-controlling interests	377,327	405,604	419,270	369,921	339,607	304,203	-	-	-	-
Total equity	15,353,631	15,466,487	14,961,252	12,348,931	12,080,451	12,049,362	10,164,942	9,989,679	9,237,938	7,917,493
Total borrowings	13,730,034	8,951,541	4,551,348	11,286,683	10,134,164	9,188,923	8,382,217	6,484,996	5,253,838	5,950,126
Total capital employed	29,083,665	24,418,028	19,512,600	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619
Assets Employed										
Non- current assets	17,262,159	15,229,915	14,594,455	12,243,971	11,776,291	11,695,795	8,357,266	7,982,821	8,039,357	6,937,410
Current assets	22,300,228	25,075,075	17,521,696	19,469,319	17,523,901	16,891,197	14,402,152	12,349,823	9,910,853	9,157,244
Total liabilities (excluding borrowings)	10,478,722	15,279,430	(12,603,551)	(8,077,676)	(7,085,577)	(7,348,707)	(4,212,259)	(3,857,969)	(3,458,434)	(2,227,035)
Total assets employed	50,041,109	21,503,681	19,512,600	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619
Cash Flow										
Net cash from/(used in) operating activities	(3,795,872)	(339,989)	7,557,627	(88,575)	(626,464)	463,058	(654,758)	(836,816)	648,049	(726,849)
Net cash used in investing activities	(1,756,103)	(1,237,046)	(342,893)	(377,995)	(360,050)	(1,113,776)	(684,812)	(223,129)	(677,408)	(1,361,283)
Net cash from/(used in) financing activities	3,839,015	4,113,887	(6,870,307)	1,244,309	1,245,649	155,879	(847,598)	(495,191)	(340,735)	975,156
Net increase/(decrease) in cash and cash equivalents	(1,712,501)	2,536,852	344,427	777,739	259,135	(494,839)	(2,187,168)	(1,555,136)	(370,094)	(1,112,976)
Key Indicators										
Earnings per share (Rs.)	62.73	76.06	52.72	21.12	5.78	58.50	73.99	106.64	67.15	44.34
Net assets per share (Rs.)	1,622.31	1,631.47	1,638.27	1,349.53	1,322.70	1,323.18	1,145.16	1,125.42	1,040.73	891.97
Market value per share (Rs.)	466.00	488.00	530.25	250.00	304.70	464.90	559.90	549.70	630.00	505.00
Dividend per share (Rs.) - paid during the year	12.50	12.50	2.50	2.50	-	20.00	24.00	27.00	20.00	10.00
Dividends Paid (Rs.'000)	115,394	110,955.00	22,191.00	22,191.00	-	177,529.00	213,034.00	239,664.00	177,529.00	88,764.00
Annual sales growth (%)	(5.89)	21.70	(10.82)	(9.77)	(12.33)	(1.81)	17.86	34.64	34.25	24.64
Equity to total assets ratio (%)	37.85	37.37	45.28	37.77	40.07	41.09	44.66	49.13	51.46	49.19
Debt to equity ratio (%)	47.21	36.66	23.33	47.75	45.62	43.27	45.19	39.36	36.25	42.91
Dividend pay out (%)	16.53	16.44	4.74	11.83	-	33.93	32.44	25.32	29.78	22.56
Dividends cover (no. of times)	6.05	6.08	21.09	8.45	-	2.95	3.08	3.95	3.36	4.43
Price earnings ratio (no. of times)	7.43	6.42	10.06	11.84	52.71	7.95	7.57	5.15	9.38	11.39
Current ratio (no. of times)	1.16	1.23	1.39	1.21	1.24	1.24	1.30	1.47	1.45	1.50
Quick asset ratio	0.64	0.75	0.90	0.71	0.65	0.54	0.49	0.56	0.75	0.70
Turnover to capital employed (no. of times)	1.21	1.54	1.58	1.46	1.72	2.06	2.40	2.29	1.93	1.51
Interest Cover (no. of times)	1.22	2.37	1.98	1.20	1.07	1.68	2.22	3.93	3.00	2.42
Average no. of employees	1,781	1,840	1,860	1,939	1,906	1,788	1,649	1,554	1,524	1,518

CORPORATE INFORMATION

Name of the Company

Diesel & Motor Engineering PLC

Registered Office

P.O. Box 339,
No. 65, Jetawana Road, Colombo 14,
Sri Lanka.
Telephone : +94-11-2449797
Website : www.dimolanka.com
E-mail: dimo@dimolanka.com
Fax: +94-11-2449080

Legal Form

A public limited Company incorporated in 1945 under the Laws of the Democratic Socialist Republic of Sri Lanka. The Company was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 09th May 2008.

Company Registration Number

PQ 146

Founded

1939

Accounting Year End

31st March

Tax Payer Identification Number (TIN)

104002498

Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

Auditors

KPMG,
Chartered Accountants,
32A, Sir Mohamed Macan Markar
Mawatha,
P.O. Box 186,
Colombo 03, Sri Lanka.

Lawyers

Julius & Creasy,
Attorneys-at-law & Notaries Public,
Julius & Creasy Building,
No. 371, R.A. de Mel Mawatha,
Colombo 03,
Sri Lanka

Company Secretary

B.C.S.A.P. Gooneratne, F.C.A., MBA (USJ)

Company Registrars

Jacey and Company,
No.9/5, Thambiah Avenue,
(Off Independence Avenue),
Colombo 07,
Sri Lanka

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
Hong Kong & Shanghai Banking Corporation Ltd
Nations Trust Bank PLC
NDB Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank
Standard Chartered Bank Sri Lanka

Directors of Subsidiaries & Joint Ventures in Sri Lanka

DIMO (Private) Limited

Subsidiary incorporated in 1980
A.R. Pandithage (Chairman)
A.G. Pandithage
S.C. Algama (Managing Director)
R.H. Fernando
B.C.S.A.P. Gooneratne
P.K.W. Mahendra
S.R.W.M.C. Ranawana

DIMO Travels (Private) Limited

Subsidiary incorporated in 1975
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
R. K. J. Gunasekara
D. N. K. Kurukulasuriya

DIMO Industries (Private) Limited

Subsidiary incorporated in 1979
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
H.M.P. D.B. Dematawa
D. N. K. Kurukulasuriya
C. R. Pandithage

PlantChem (Private) Limited

Subsidiary acquired in 2018
A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B Dematawa (Managing Director)
B.C.S.A.P. Gooneratne
A.G.J. Gunathilaka
U. Wanigasinghe
W.P.S.A. Weerawardhana

Plant Seeds (Private) Limited

Subsidiary acquired in 2018
A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B. Dematawa (Managing Director)
B.C.S.A.P. Gooneratne
A.G.J. Gunathilaka
U. Wanigasinghe
W.P.S.A. Weerawardhana

DIMO Lifeline (Private) Limited

Subsidiary incorporated in 2020
A.R. Pandithage
A.G. Pandithage
P.K.W. Mahendra
D.M.A.P. Dissanayake
C.F. De. Zilva
S.C. Algama

Moveflex (Private) Limited

Subsidiary incorporated in 2021
A.R. Pandithage
A.G. Pandithage
B.C.S.A.P. Gooneratne
R.D.M.P. Wickramasinghe

Azend Technologies (Private) Limited

Joint Venture incorporated in 2021
A. R. Pandithage
A. G. Pandithage
K.M.C.J.R.Silva
M.K.D.K Senaratne
R.D.M.P. Wickramasinghe
O.V.W. Samaranayake
C.R. Pandithage
R.M. Serasinghe

Tropical Health Food (Private) Limited

Subsidiary acquired in 2022
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
H. M. P. D. B. Dematawa
C. R. Pandithage

Virgin Oil International (Private) Limited

Subsidiary acquired in 2022
A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B. Dematawa
C.R. Pandithage
S.C. Samarasinghe
S.C. Samarasinghe
M.S. Gonawela

Mansel (Ceylon) (Private) Limited

Subsidiary acquired in 2022
A.R. Pandithage
A.G. Pandithage
B.C.S.A.P. Gooneratne
P.K.W. Mahendra
D. M. A. P. Dissanayake
L.W.B.De Silva
H.C.L.Gunasekara

Associated Laboratories (Private) Limited

Subsidiary acquired in 2022
A.R. Pandithage
A.G. Pandithage
B.C.S.A.P. Gooneratne
P.K.W. Mahendra
D. M. A. P. Dissanayake
L.W.B.De Silva
H.C.L.Gunasekara

Directors of Foreign Subsidiaries & Joint Ventures

DIMO Lanka Company Limited

Subsidiary incorporated in 2017
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne

United DIMO Company Limited

Subsidiary of DIMO Lanka Company Limited (Private) incorporated in 2017
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
U.T. Zin
U.M.Z. Aung
H.S. Amaratunga

DIMO Coastline (Private) Ltd

Joint venture invested in 2017
A.R. Pandithage
A.G. Pandithage
A.U. Maniku (Managing Director)
M. V. Bandara
B.C.S.A.P. Gooneratne
H.M. Fulhu
I.G.M. Haleem
S.A. Maniku

DIMO Bangladesh Pvt. Ltd

Subsidiary incorporated in 2022
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
S.R.W.M.C. Ranawana

DIMO Australia Pty Ltd

Subsidiary incorporated in 2022
C. R. Pandithage

DIMO Global Pte Ltd

Subsidiary of DIMO (Private) Limited incorporated in 2022
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
P.K.W. Mahendra
K.T.P. Fong

NOTES

NOTES

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 78th Annual General Meeting of DIESEL & MOTOR ENGINEERING PLC will be held at the DIMO 800, Sirimavo Bandaranaike Mawatha, Colombo 14 on 27th June 2023 at 8.30 a.m. for the following purposes:

Agenda

1. To receive and consider the Annual Report of the Board of Directors and Audited Financial Statements for the Year Ended 31st March 2023 with the Report of the Auditors thereon.

2. Directors

I. To re-elect Mr. Aruna Gahanath Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

II. To re-elect Mr. Charithe Rajeev Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

III. To re-elect Dr. Harsha Cabral, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

IV. To re-elect Mr. Mudiyanselage Vijitha Bandara, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

V. To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Asoka Ranjith Pandithage, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Mr. Asoka Ranjith Pandithage".

VI. To re-appoint as a Director Mr. Abeykumar Mohan Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Abeykumar Mohan Pandithage, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Abeykumar Mohan Pandithage"

VII. To re-appoint as a Director Mr. Jayantha Michael De Silva, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Jayantha Michael De Silva, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Jayantha Michael De Silva".

VIII. To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Sarath Chandrasiri Algama who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Sarath Chandrasiri Algama"

3. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.
4. To authorise the Directors to determine contributions to charities.
5. Any other business

To adopt new Articles of Association.

To consider and if thought fit, to pass the following resolution as a Special Resolution.

"THAT the Regulations contained in the Printed Document which could be access via the link https://www.dimolanka.com/investor-relations/ be and are hereby approved for adoption as the Articles of Association of Diesel & Motor Engineering PLC in substitution for and to the exclusion of the existing Articles of Association of the Company and a re-print thereof be obtained."

The profiles of the Directors proposed for re-election are given in the Annual Report.

By Order of the Board,

Diesel & Motor Engineering PLC
Company Registration No. PQ-146

B.C.S.A.P. Gooneratne
Company Secretary

Colombo
5th June 2023

Notes:

1. The Annual Report of the Company for 2022/23 is available on the corporate website https://www.dimolanka.com/2022-2023-dimo-annual-report/ and on the Colombo Stock Exchange website - https://www.cse.lk
2. A shareholder is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a shareholder of the Company.
3. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No.65, Jetawana Road, Colombo 14 or forwarded by email to agm@dimolanka.com not less than forty-eight (48) hours before the time appointed for the holding of AGM.

FORM OF PROXY

I/We*..(Full name of shareholder)

NIC No./Reg. No. of Shareholder*..of..

being Shareholder/Shareholders* of Diesel & Motor Engineering PLC, hereby appoint,..

....(Full name of proxyholder)

NIC No. Proxyholder..of..whom failing:

Mr. Asoka Ranjith Pandithage	whom failing
Mr. Aruna Gahanath Pandithage	whom failing
Mr. Abeykumar Mohan Pandithage	whom failing
Mr. Asite Drupath Bandara Talwatte	whom failing
Mr. Bodiyabaduge Charindra Suresh Alexius Perera Gooneratne	whom failing
Mr. Charithe Rajeev Pandithage	whom failing
Ms. Dilrukshi Neelika Kumari Kurukulasuriya	whom failing
Dr. Harsha Cabral	whom failing
Mr. Jayantha Michael De Silva	whom failing
Mr. Mudiyanselage Vijitha Bandara	whom failing
Mr. Pushpawela Kankanamge Wijith Mahendra	whom failing
Mr. Sarath Chandrasiri Algama	whom failing
Mr. Sri Rama Waidayasekera Mudiyanselage Chaminda Ranawana	

as my/our* proxy to represent me/us*and to vote and **…..…………… as indicated hereunder for me/us and on my/our behalf at the 78th Annual General Meeting of the Company to be held on Tuesday, 27th June 2023 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I/We* the undersigned hereby authorise my/our* proxy to vote on my/our* behalf in accordance with the preference indicated below: -

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and Audited Financial Statements for the Year Ended 31st March 2023 with the Report of the Auditors thereon.	☐	☐
2. To re-elect Mr. Aruna Gahanath Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	☐	☐
3. To re-elect Mr. Charithe Rajeev Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	☐	☐
4. To re-elect Dr. Harsha Cabral, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	☐	☐
5. To re-elect Mr. Mudiyanselage Vijitha Bandara, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	☐	☐
6. To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007.	☐	☐
7. To re-appoint as a Director Mr. Abeykumar Mohan Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 07 of 2007.	☐	☐
8. To re-appoint as a Director Mr. Jayantha Michael De Silva, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 07 of 2007.	☐	☐
9. To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007.	☐	☐
10. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	☐	☐
11. To authorise the Directors to determine contributions to charities.	☐	☐
12. To adopt new Articles of Association	☐	☐

As witness my/our hand this .... day of.. 2023.

....

Signature of Shareholder

*Please delete as appropriate.

Notes:

a) *Please delete the inappropriate words.

b) If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with two asterisks (**) and initial such insertion.

c) Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder a doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

d) A Proxy holder need not be a member of the Company.

e) Shareholders who are unable to participate at the meeting are encouraged to duly complete the Form of Proxy clearly setting out their preference of vote under each matter set out therein and to appoint a director of the Company to act on their behalf.

Instructions as to completion appear below

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No.65, Jethawana Road, Colombo 14 or forwarded by email to agm@dimolanka.com not less than forty-eight (48) hours before the time appointed for the holding of AGM.
2. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.
3. If you wish to appoint a person other than the Chairman or a Director as your Proxy, please insert the relevant details overleaf and initial against this entry.
4. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
5. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy, if it had not been already registered with the Company.

Designed & produced by

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Digital Plates & Printing by Softwave Printing and Packaging (Pvt) Ltd

DIMO
THE PERFECT PARTNER

Diesel & Motor Engineering PLC
P.O. Box 339, No. 65, Jetawana Road, Colombo 14, Sri Lanka.