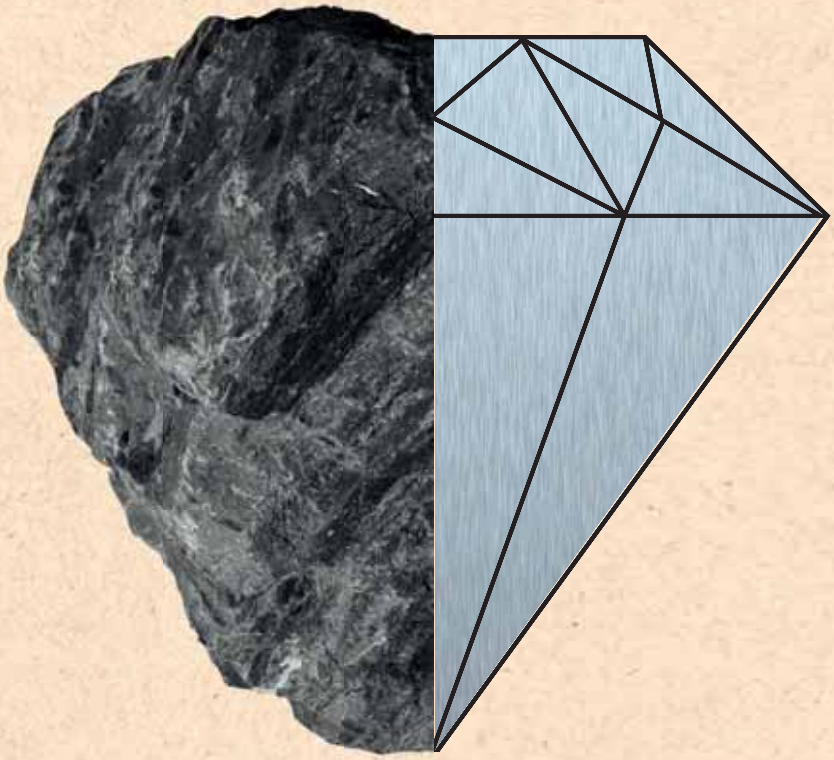
BEING THE CHANGE



Diesel & Motor Engineering PLC

Annual Report 2017/18

BEING THE CHANGE

Diamonds are known for their qualities of purity, absolute strength and clear, classic beauty; attributes that have guaranteed their value and appreciation over time. Most natural diamonds are formed over billions of years, miles beneath the Earth's surface in high temperatures and pressure conditions.

The subsequent process of cutting and transforming a rough stone into a faceted gem combines both science and art, requiring specialised tools, technology and craftsmanship. Diamond production has several stages: planning, sawing, checking for smoothness and polishing - with a final inspection for the quality of symmetry, polish and cut. It is a complex task requiring patience and commitment to the meticulous work of change and transformation that eventually results in the creation of this valuable gem.

DIMO has always been a Company of the future. Innovation, creativity and progressive thinking have defined the way we have used our talent and resources to chart our corporate journey.

For over 79 years, we have been at the forefront of Sri Lankan business and industry, simply by being a Company that has lived by its corporate purpose to 'create value responsibly'. Today, more than ever before, we see the need for transformative social, economic and environmental change in the way Sri Lankans live, the way we work and the way we look at our future. We want to play our part in driving such change and that's why our future focus includes the broader issues of alternative energy, intelligent mobility, structured farming, climate change and the creation of sustainable value that benefit everyone.

We know that a business enterprise can only be economically viable if it is genuinely sustainable. We recognize that good business is responsible business and that is why we are investing to build awareness, launching long-term projects and striving to ensure that our work and values resonate with our stakeholders, for their belief is what drives us to keep excelling year after year.

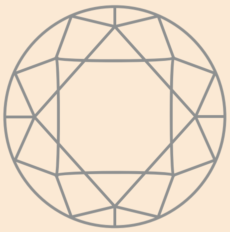
We're going into a future that we see as challenging, yet full of potential for those who regard such challenges as opportunities for positive transformation. And we're excited to lead the way yet again; inspiring ourselves and inspiring others to be the change we all want to see.

CONTENTS

Change is visionary

CONTEXT

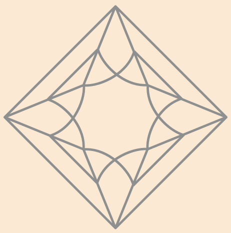
This section sets the context for the broader analyses that follow. Here we offer an overview of the Group, through the Company history and Group Structure, together with a guide to reading this report and a description of the frameworks and basis on which it was prepared. DIMO's performance is further analysed in the management reviews by the Chairman/ Managing Director and Group Chief Executive Officer. Finally, this section introduces the reader to our Board of Directors and Senior Management team.



Change is progressive

STRATEGY

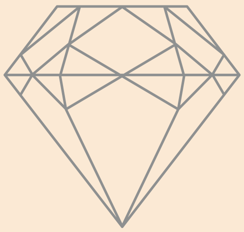
Here we present important information about DIMO's corporate strategy. The section describes how our value creation model drives our strategy, which includes the three key elements of collaboration, differentiation and diversification. We also show how DIMO's strategy has resulted in five important outcomes achieved through our model of value creation. This is also where the reader can learn about how we engage with our stakeholders, together with an analysis of our sustainability performance.



Change is prudent

ENTERPRISE GOVERNANCE

Our commitment to good governance remains strong. This section examines our responsibilities and practices in planning and implementing our strategic direction. Enterprise Governance includes the two important aspects of conformance and performance, as applied to the management of our value creation activities; including our capitals and impacts and across the value chain.



The HTML version of the Annual Report 2017/18 can be read at:
http://www.dimolanka.com/annual-reports/dimo2017ar/home.html

Supplementary information of the Annual Report 2017/18 can be read at:
http://www.dimolanka.com/sustainability-performance/

Code of Best Practices of Corporate Governance detail disclosure of the Annual Report 2017/18 can be read at:
http://www.dimolanka.com/stewardship/

Change is positive

VALUE CREATION

Value creation is ultimately the primary purpose of our operations and thus, it is always a very important section of our report. We start by analyzing the capitals that provide inputs. We then evaluate the business segment performance and the economic, social and environmental impacts of our value creation activities, outlining the value we have created for our stakeholders. We end the section with a description of our Risk Management framework and policies.

Change is valuable

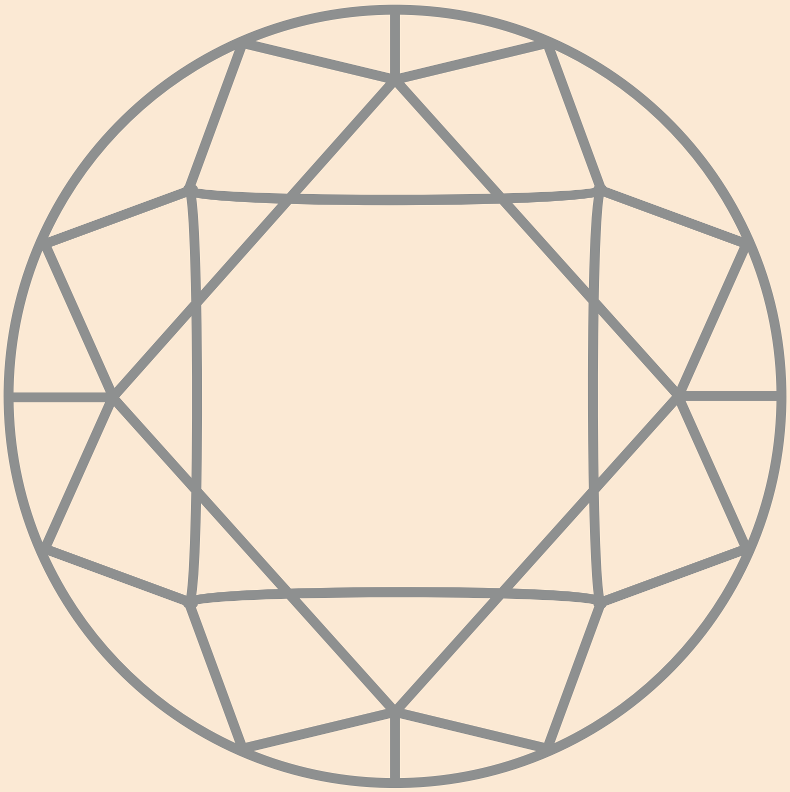
FINANCIAL STATEMENTS

Here we give the reader a detailed account of our monetised resources and the monetised results of our value chain management activities, one of the five key outputs we aim to achieve. We provide the reader with detailed notes and give context to the numbers in the financial statements. The Accounting policies and Basis of Preparation are also presented here.

Change is perceptive

SUPPLEMENTARY INFORMATION

This section includes information complementary to the main body of the report.



CHANGE IS VISIONARY

Context

This section sets the context for the broader analyses that follow. Here we offer an overview of the Group, through the Company history and Group Structure, together with a guide to reading this report and a description of the frameworks and basis on which it was prepared. DIMO's performance is further analysed in the management reviews by the Chairman/ Managing Director and Group Chief Executive Officer. Finally, this section introduces the reader to our Board of Directors and Senior Management team.

OUR ASPIRATION AND PURPOSE

OUR ASPIRATION

To be the corporate role model that inspires and touches the life of every Sri Lankan, every day.

OUR PURPOSE

To create value responsibly.

OUR VALUES

Responsible : To be a responsible corporate citizen. To act with responsibility towards all our stakeholders and the environment

Righteous : To stand for righteousness with resolve

Responsive : To be approachable and responsive to every stakeholder we serve

Reliable : To be reliable and trustworthy, whatever we undertake to do

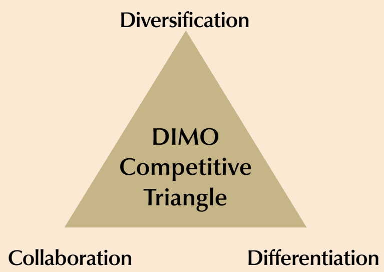
Respectful : To always treat people with dignity and respect

Resilient : To be resilient in adversity

THE DIMO ANNUAL REPORT AT A GLANCE

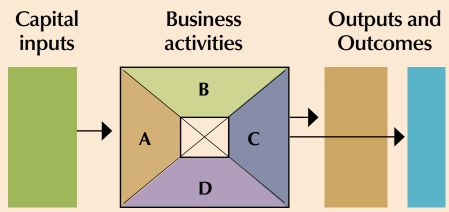
Three Pronged Strategy that Sets the Road Map

Page 29



A Value Creation Model for Navigation

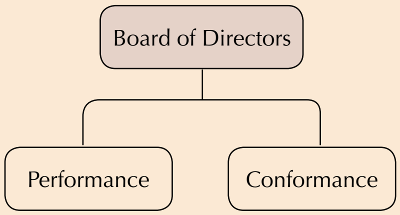
Pages 32-33



A-Management of capitals, **B**-Management of value chain, **C**-Management of impacts, **D**-Management of risks

A Governing Body that Leads the Way

Page 42



A. Management of Capitals – Our Stores of Value

Page 60-91

Monetised Capital

Group Revenue (Net)
(Rs. Mn.)
43,435
In 2016/17 - 44,272

Group PAT
(Rs. Mn.)
554
In 2016/17 - 657

Earnings per share
(Rs.)
62
In 2016/17 - 74

Dividend per share
(Rs.)
20
In 2016/17 - 24

Relationship Capital

Number of foreign business partners
90
In 2016/17 - 94

Foreign business partners with more than 50 years relationship
7
In 2016/17 - 7

Customer satisfaction index
88%
In 2016/17 - 90%

Customer interaction points including branches
58
In 2016/17 - 65

Human Capital

Number of employees (as at the year-end)
1,850
In 2016/17 - 1,725

Total training hours
49,486
In 2016/17 - 36,818

Employee satisfaction index
66.3%
In 2016/17 - 64.6%

Employee engagement score out of 5
4
In 2016/17 - 3.88

Intellectual Capital

ISO 9001:2015 Accredited Quality Management System

Number of employees with more than 5 years of work experience at DIMO
706
In 2016/17 - 581

Natural Capital

Energy consumed to generate one million turnover
(GJ)
1.76
In 2016/17 - 1.67

Water consumed to generate one million turnover
(M3)
2.41
In 2016/17 - 2.40

"This year too we have consciously looked at transformative, social, economic and environmental change that will inspire others and transform the world we live in..."

A.R. PANDITHAGE - Chairman/Managing Director
Pages 8-11

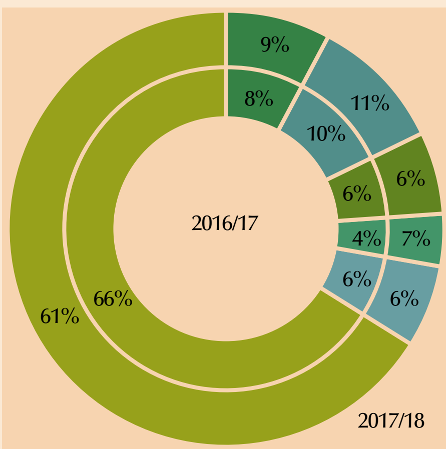
"Our capitals define our inimitability as the uniqueness of the value proposition that we offer is influenced by the quality and availability of capitals..."

A.G. PANDITHAGE - Director/Group Chief Executive Officer
Pages 12-15

B. Management of Value Chain – Our Six Business Segments

Pages 92-111

Revenue contribution of each business segment



Vehicles - sales

Vehicles – after services

Marketing and distribution

Construction and material handling equipment

Agriculture

Electro-mechanical, bio-medical and marine engineering

C. Management of Impacts – Triple Bottom Line

Pages 112-131

Economic impact	Monetised value added (Rs. mn) **18,112** In 2016/17 - 18,204	Jobs created outside Western Province **367** In 2016/17 - 307
Environmental impact	Total carbon emission (tCO_2e) **7, 679** In 2016/17 - 7,923	Reduction in non-hazardous solid waste disposal **22%** In 2016/17 - reduction of 10%
Social impact	Investments in voluntary community development initiatives (Rs. mn) **108** In 2016/17 - 122	Number of apprentices enlisted for training **254** In 2016/17 - 221

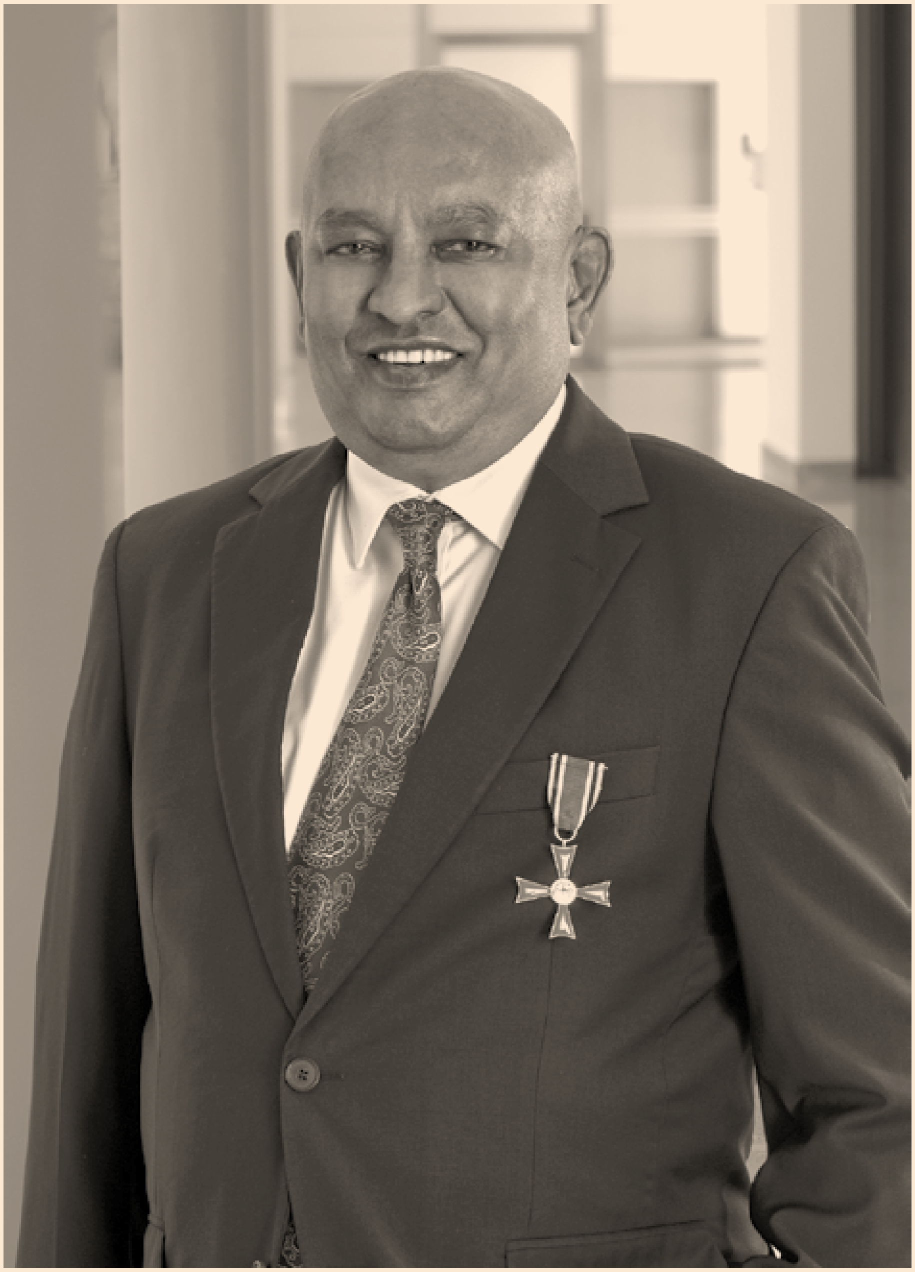
D. Management of Risks

Pages 132-138

Risks that Exceed Group's Risk Appetite

01. Volatility of import regulations and government tariff policy on automobiles.
02. Risk of disruptions to the relationship with key business partners
03. Possible events/incidents that could cause employee health and safety issues.
04. Risk of losing confidential and operational data due to security breaches / system breakdowns in the IT systems.
05. Negative impact on reputation that may arise from unaccepted corporate behaviour
06. Possible damages to people and property from disasters such as fire.

CHAIRMAN'S MESSAGE
The change we all want to see...



The year's highlights were our many new projects which included ventures into Myanmar and the Maldives, two new acquisitions in Sri Lanka and the addition of two new business lines into our portfolio. These investments, while promising well for the future, helped bring renewed vigour to our tribe, in a challenging year

Dear stakeholder,

The year under review was a complex one. We have however achieved a number of strategic goals that were defined last year, while keeping our focus on providing products and services of world-class quality and value to our customers.

The year's highlights were our many new projects which included ventures into Myanmar and the Maldives, two new acquisitions in Sri Lanka and the addition of two new business lines into our portfolio. These investments, while promising well for the future, helped bring renewed vigour to our tribe, in a challenging year.

BEING THE CHANGE

As a company keeping abreast of the needs of the contemporary world, this year too we have consciously looked at transformative, social, economic and environmental change that will inspire others and transform the world we live in. We are exploring business solutions related to the current discourses on alternative energy, hybrid and electric vehicles, battery technology and even structured farming, as we strive to 'be the change' we want to see in the world.

UNCONDUCIVE MACROECONOMIC ENVIRONMENT

The macroeconomic factors during the year created a challenging business environment. The two parameters AWPR and GDP growth rate, which stimulate the economic environment for business were discouraging to our portfolio in particular, for capital goods.

Against the backdrop of an unhelpful external environment, the Group's performance suffered a reduction in its Turnover of 1.8% (increase of 18.0%- 2016/17), with gross profit margin reducing to 16.3% (16.7%- 2016/17) and the Group profit after tax by 16.2% to Rs 554 million (Rs. 657 million 2016/17) for the year.

SOUND TARIFF STRUCTURE

A fool-proof and equitable tariff structure is the key to providing a level playing field for automobile-related businesses in the country. The new tariff regime for vehicles that came into effect from November 2017 is a clear step towards this end. The calculation which is based solely on engine capacity is an unambiguous method, which reduces the subjectivity of tariff calculations. We also welcome the easing of the tariff structure for electric vehicles which came into effect during the year.

THREE PRONGED STRATEGY

Collaboration, differentiation and diversification are the pillars on which our value creation and competitive strategies are built. Technological excellence, aftercare, market presence, customer relationship management, innovation and responsible behaviour are the areas in which we seek strategic differentiation. These six areas are delivered through collaboration with employees and business partners. Diversification, both related and geographic, leads the other pillar of strategy.

A GREAT PLACE TO WORK

Collaboration with employees is a key aspect of our strategy to compete. This aspect receives a high priority in our human resource strategy. The results of these efforts are manifested in our achievement of the Great Place to Work Laureate award, as we have been named a Great Place to Work for five consecutive years.

SOCIAL RESPONSIBILITY

Our statement of purpose and differentiation strategy command that we 'create value responsibility'. In order to facilitate responsible corporate behaviour in every respect, we have institutionalised it through our social accountability management system, the implementation of which has been accredited by SA8000. The stringent requirements demanded by the certification process ensure that we demonstrate the responsible behaviour sought by our mission and differentiation strategy.

Collaboration with employees is a key aspect of our strategy to compete. This aspect receives a high priority in our human resource strategy. The results of these efforts are manifested in our achievement of the Great Place to Work Laureate award, as we have been named a Great Place to Work for five consecutive years

COST HEALTHY

We perceive cost as a hygiene factor in establishing a healthy business model. A study on effective cost reduction reveals that we need to pay more attention to this area. This aspect receives our constant attention.

INNOVATION IS KEY

A key component of our differentiation strategy is innovation. This has a significant bearing on the outcome and eventually the value proposition to our customers and stakeholders. My tribe members are always encouraged to be innovative throughout the value chain.

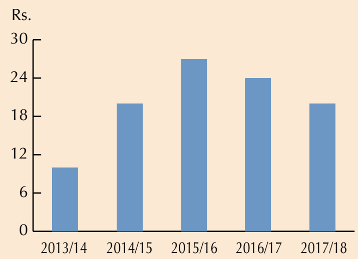
VENTURING OUT

The Group undertook new ventures during the year by investing locally in agriculture and in marine repairs and vehicle after services overseas. A total of Rs. 442 million was invested in these projects during 2017/18, with further investments earmarked in the ensuing year. It is noteworthy that this is the Group's first venture to invest overseas.

AGRICULTURAL INTERESTS

We are aggressively pursuing our participation in the agricultural sector and strengthening our resources in agricultural inputs. Our portfolio, which consisted of tractors, harvesters and other agri-machinery, has been further expanded with the introduction of DIMO Fertiliser, during the first half of this year. The performance of the fertiliser business, though not yet impactful, has exceeded its initial plans. The recently-announced reintroduction of the fertiliser subsidy scheme is bound to have an adverse impact on this industry; however, we are well equipped to face the challenge.

Dividend per share



NEW ACQUISITIONS IN AGRICULTURE

Our original plans for the agriculture segment included venturing into other agricultural inputs such as seeds and agro-chemicals. To build up an organic growth in these two areas would have taken a considerable time. Therefore the acquisition of a majority stake in Plant Seeds (Pvt) Ltd. and PlantChem (Pvt) Ltd. during the financial year gave us instant entry into these two businesses, that now form a well-rounded portfolio in agriculture.

ENTRY INTO MYANMAR

The initial steps towards geographical diversification were taken in August 2017 with the formation of our fully owned subsidiary in Myanmar. This will serve as our vehicle for investments and business in Myanmar. The first investment was made in November 2017 by subscribing to a 70% stake in a joint venture in United DIMO Lanka Company Ltd. This company is presently engaged in the repair and service of motor vehicles. This investment marks our long- anticipated arrival in Myanmar and we hope to make it a viable destination for the Group.

REACHED THE SHORES OF THE MALDIVES

Pursuing our interests in marine repairs, we commenced operations in the Maldives with a 40% investment in a joint venture. An equity investment of US Dollars 375,000 was made in February 2018, towards establishing a ship repair yard in Thilafushi island. Further investments are anticipated in the ensuing year, to increase the capacity of the repair facility.

ESCALATORS AND ELEVATORS ENTER OUR PORTFOLIO

The Electro-Mechanical Engineering Segment received a boost during the year with the addition of the world renowned Thyssen Krupp Elevators and Escalators to its portfolio. This fills a vacuum that existed in our offering in Building Technologies.

FIRST STEPS IN RENEWABLE ENERGY

Entering the power generation segment has been part of our strategy for the power sector. During the year, initial steps were taken to implement this plan by securing a tender for a one mega watt solar power plant to supply power to the CEB under a power purchase agreement. We consider this as an infant step towards securing a larger portfolio in power generation.

SUSTAINABILITY

Our statement of purpose, "Create Value Responsibly", drives our commitment to be a responsible corporate citizen. Responsible behaviour has been institutionalised through the implementation of a management system that incorporates the management of economic, social and environmental impacts arising from our value creation process. In order to improve transparency, we have also complied with the GRI standards when reporting matters relating to sustainability.

INTEGRATED REPORTING

The adoption of integrated reporting re-directed us in corporate reporting and made us tread beyond excellence in financial and sustainability reporting. It has provided us a platform to view our enterprise in a more holistic manner and to communicate our value creation story in its totality. This stakeholder responsive approach harmonises well with our stakeholder centred corporate philosophy.

THE MILLENNIAL STAKEHOLDER

Understanding the millennial mindset is an important factor for our future success. The millennials who become our customers, employees, leaders and stakeholders will bring their influence on the outcomes of our value creation process. This calls for our leadership and all members of the DIMO tribe to attune their minds to this reality in the design and delivery of value propositions that cater to millennials.

NATURAL ENVIRONMENT

The Group focuses on two key aspects relating to the natural environment. Firstly, as a provider of natural capital in the form of land, water and energy sources and secondly, in managing the impact that our business activities bring about on the environment. In this annual report, we have dedicated two sections for these two aspects, under capitals and impacts. These will provide more details of our ecological foot-print and the initiatives taken for its responsible management.

CARBON FOOTPRINT

Managing our carbon footprint is a key area in impact management. Our carbon footprint decreased by 3.1% during the year. tCO_2e per Rs.1.0 million of turnover reduced from 0.1790 to 0.1768. The actual footprint was below the carbon footprint curve of DIMO, a curve constructed by using actual data for the past five years. A five- year master plan is being formulated to manage our carbon foot print in the short/ medium term.

COMBUSTION ENGINES TO ELECTRIC VEHICLES

The transition from internal combustion engine driven vehicles to electric drive vehicles (EV) in road transportation is taking place world-wide at a rapid pace. The Sri Lankan Government's current policy of preferential tariff for EVs is speeding up the local transition too. As a key player in the automobile sector, the Group is well equipped to manage this transition. However, the regulatory framework for charging of electric vehicles is a vacuum that currently exists in the country and requires the immediate attention of regulators.

EMISSIONS AND SAFETY STANDARDS

The government has announced its intention to issue regulations that will require vehicles imported to have engines with Euro 4 standards, Dual Airbags and Anti-lock Braking Systems (ABS), in order to improve emissions and safety standards of motoring. Whilst we recognise the regulation of emissions standards as a positive step, much more needs to be done to regulate the adverse impacts of emissions from motor bicycles and three wheelers. It is yet unclear whether the proposed emissions and safety standards will be applicable to the quadracycle, the vehicle category recently added for registration purposes. If not, it will be a situation akin to blowing hot and cold.

A FILLIP TO BUSINESS TIES WITH GERMANY

The office of "Delegation of German Industry and Commerce was opened in Sri Lanka" recently. This is expected to provide a boost to our business interests with Germany. The establishment of this office is supported by the German Ministry for Economic Affairs and Energy, and is coordinated by the Association of German Chambers of Commerce and Industry and the Network of German Chambers of Commerce Abroad. This is a fillip to strengthening our relationships with our current twenty plus principals of German origin, and the others that would come on board in future.

NEW INCOME TAX REGIME

The new Inland Revenue Act came in to effect from the beginning of April 2018. A key change that may impact the Group is income tax liability arising on the sale of land, which was earlier not subject to tax. The increase in PAYE tax rates of employees in higher income brackets and withdrawal of tax free travelling allowance for travelling will also bear an indirect impact. We trust that the objectives of simplification and improved tax revenues targeted from the new legislation will be achieved, as desired.

CODE OF BUSINESS ETHICS

Responsible corporate behaviour is one of our foremost guiding principles, and it is our endeavour to promote the ethical behaviour of employees in carrying out our business activities. To institutionalise ethical behaviour, we have placed a Code of Business Ethics that every employee has to abide by. There were no breaches of the Code of Business Ethics reported during the year.

OVERCOMING CHALLENGES

Issues relating to tariff, regulations, permits and the macro environment as discussed earlier pose multiple challenges to the vehicles business. Such a situation tests the agility, resourcefulness and strength of my tribe yet I am confident of their ability to formulate and implement effective counter strategies.

The increasing demands from our foreign principals for investments to support their product portfolio continues. It is imperative that we assess the viability of such expectations carefully and take all aspects into consideration prior to any investment.

The scarcity of technically skilled labour in vocations related to our business is placing constraints on our growth plans. This supply shortage can be attributed mainly to the lack of a quality vocational training system and migration of labour. Making available skilled personnel is receiving priority on our recruitment and training agenda. As a responsible corporate, we play our part in vocational training through our automobile training school and the provision of apprenticeships.

READY FOR THE FUTURE OF MOTORING

The developments in battery technology will accelerate the transition to electric vehicles. This will have implications for our aftersales business, both in technical and commercial terms. We are focussed on being up to date with the technology and technical skills to provide the required aftercare, while closely watching for possible financial implications of the transition on the aftercare businesses. From a long- term perspective, the imminent changes in mobility such as car sharing and autonomous driving will have consequences on our current business models. At the same time we are aware of the opportunities that come with it.

OUTLOOK

The ventures in Myanmar and the Maldives are expected to enter a maturity phase during the ensuing year, though it is too early to expect any impactful return. More investment in these two ventures are expected during the year. New overseas investments are also being currently evaluated. Therefore, the investment momentum is expected to continue into 2018/19. Whilst these new investments form part of our growth strategy, they contribute towards our aim to expand our businesses beyond the automobile industry.

We have formulated strategies to counter the external adversities in terms of tariff and regulation on vehicle imports. The drive to improve market shares of vehicles will be further energised as a measure to counter possible reduction in total industry volumes of passenger and commercial vehicles. Specific plans are in place to broaden the offering of electric vehicles.

The re-activation of road projects and other mega projects such as the Port City is promising for the prospects of the Construction Machinery and Material Handling Segment.

Renewable energy and overseas contracts are the areas earmarked to expand the power engineering business and plans are afoot to ramp up our offering in these areas. The pipeline of contracts and what has already been secured in the power engineering and building technologies businesses suggest that these segments will report an improved performance.

The prospects and initiatives discussed above will be well complemented by efforts and initiatives to elevate employee alignment and engagement.

Overall, I am optimistic for an improved performance.

FAREWELL AND WELCOME

Mr. R.C. Weerawardane, who has been an Executive Director of the company since year 2002, and an employee since 1990, opted for early retirement. I thank him for the services rendered to the company during his tenure. I extend a warm welcome to Mr. A.N. Ranasinghe who joined the Board from July 2017.

ACKNOWLEDGEMENTS

I appreciate my tribe members who stood up to the challenges of a not so friendly external business environment. They are the driving force behind DIMO's achievements. The continued support we receive from our foreign principals is invaluable and I thank them for making us their business partner of choice in Sri Lanka. Finally, I thank my colleagues on the Board, who make an exceptional contribution towards guiding DIMO on the path to success.

A.R. PANDITHAGE
Chairman/Managing Director

30th May 2018
Colombo

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW
Because good business is responsible business

The outputs, outcomes and impacts are a result of our strategies and value creation endeavours, which are subject to the influences of the external environment. Whilst internally controlled elements such as strategy, inputs from capitals and value creation efforts made their due contribution, the adverse conditions brought about by external factors heavily influenced the monetised outcomes

OVERVIEW

Macroeconomic factors and fiscal measures play an influential role in creating demand for the capital goods that we offer. Factors such as relatively higher interest rates, the depreciation of Rupee against the Euro, the lowest GDP rate in sixteen years and tariff changes relating to motor vehicle imports among others, created a challenging environment for business during the year. The description of the economic environment given on page 93 provides more details of the external factors that influenced our performance.

RESULTS

A 10.4% dip (increase of 17.8% - 2016/17) in the Vehicle Sales segment turnover led to Group Turnover reducing by 1.8% (increase of 18.0% - 2016/17). Pressures from both the cost and demand sides made the overall gross profit margin reduce from 16.7% in the previous year to 16.3% in the year under review. The consequent reduction in gross profit and a 23.6% increase in finance cost led to a 28.3% reduction in profit before tax.

The Marketing and Distribution, Construction Machinery and Material Handling and Electro-Mechanical, Bio-Medical and Marine Engineering segments showed improved results while the Vehicle sales, Vehicle After Services and Agriculture segments recorded a lower result compared to the previous year. More segment information is available on page 92 to 111.

EXTERNALLY INFLUENCED OUTCOMES

The outputs, outcomes and impacts are a result of our strategies and value creation endeavours, which are subject to the influences of the external environment. Whilst internally controlled elements such as strategy, inputs from capitals and value creation efforts made their due contribution, the adverse conditions brought about by external factors heavily influenced the monetised outcomes.

ENGINE CAPACITY BASED TARIFF MECHANISM FOR VEHICLES

A new mechanism to calculate excise duty on vehicles was introduced in November 2017. The new method is based solely on engine capacity, as opposed to the earlier system which was based on the dual factors of CIF value and engine capacity. This new mechanism narrowed the price gap between vehicles of European origin and others. Our vehicle portfolio which consists of Mercedes Benz Passenger and Commercial Vehicles, TATA Passenger and Commercial Vehicles, Jeep and Chrysler was impacted in varying degrees - from extremely adverse to favourable, due to this change. The negatives outweighed the positives.

VEHICLE REGISTRATIONS

The registration of vehicles, excluding two and three wheelers reduced 4.6% from 96,051 to 91,632 units during the year 2017. The registration of dual purpose vehicles, under which the DIMO 'Batta' and pick- up trucks are registered, declined 36% from 25,989 to 16,511 units.

VEHICLE SALES SEGMENT

The number of vehicles sold by the Group reduced by 46.6%, with commercial vehicles recording a decline of 51.1%. Deterrents such as increased duty, loan to value (LTV) ratio and higher interest rates adversely affected the number of units sold. Sales of the popular DIMO 'Batta' and the pick-up truck were the worst affected, recording declines of 75.5% and 70.5% respectively in terms of the number of units sold. Consequently, the vehicle sales segment's turnover declined by 10.4%, resulting a 21.9% reduction in the segment result.

NEED FOR CONSISTENCY IN IMPORT TARIFF

A consistent tariff policy and a sound tariff structure for automobiles have been a long-felt need. The multiple revisions of the vehicle tariff we have recently experienced encourage short termism rather than providing a platform for medium and long- term decision making. It is, therefore, imperative that tariffs remain unchanged for a reasonable period of time, to facilitate investment and employment creation in the mobility and transport sector.

> The Marketing and Distribution, Construction Machinery and Material Handling and Electro-Mechanical and Bio-Medical Engineering segments showed an improved segment result whilst Vehicle sales, Vehicle After Services and Agriculture segments recorded a lower segment result compared to the previous year

VEHICLES - AFTER SERVICES

This segment comprises of after services businesses of the vehicle franchises that we hold. During the year, Rs. 91.9 million was expended as investment in capital expenditure for this segment. The capacity of our main commercial vehicle workshop in Siyambalape was expanded with the addition of a new hangar. The workshop facilities installed in Batticaloa also added to the total number of work-bays. The segment result increased by 0.1% (54% - 2016/17) during the year.

ROAD SIDE ASSISTANCE

DIMO Road Side Assistance (RSA) was introduced as a new venture to cater to vehicle breakdowns in Sri Lanka. This service operates via a mobile app and provides solutions for lock-outs, tyre troubles, empty tanks, flat batteries and anything in-between that can be carried out by the roadside. The service is offered through membership and is available to owners of any vehicle at anytime and anywhere in the country. A total of Rs.21Mn was invested in vehicles, tools and equipment during the year as the initial investment for this new operation.

MARKETING AND DISTRIBUTION SEGMENT

The portfolio of this segment comprises of non-franchised spare parts, tyres, lighting, power tools and allied businesses which are of a trading nature. Lighting related businesses and Bosch auto components which saw significant losses during the previous financial year, made a remarkable recovery during the financial year under review. This recovery led to a 143.7% increase (decrease of 35.5% - 2016/17) in the segment result for the year.

CONSTRUCTION MATERIAL HANDLING SEGMENT

The lower growth reported by the construction sector, cement production and imports, and bank lending to the private sector for construction activities suggest a non- conducive external environment for our construction and material handling segment. However, a turnaround in the storage and material handling business enabled the segment to record a 62.5% growth in the segment results.

ELECTRO-MECHANICAL, BIO- MEDICAL AND MARINE ENGINEERING SEGMENT

The fortunes of this business are influenced by the external environment relating to the construction, water & energy and health sectors. The available statistics indicate a lower growth rate in the construction sector, an increase in capital expenditure in the government health sector and a growth in power generation and new water connections. Against this backdrop, the power solutions, building technologies and fluid management businesses recorded an improved performance that led to a 30.4% improvement in the segment result.

ANOTHER FIRST IN SRI LANKA IN BIO MEDICAL ENGINEERING

DIMO imported the first Positron Emission Tomography (PET) Scanner in Sri Lanka, which was supplied to the Neuro Trauma Unit of the National Hospital of Sri Lanka, Colombo. This was followed by the installation of a second PET Scanner from Siemens at the Apeksha Hospital in Maharagama. Both machines were installed and commissioned by our engineers.

> DIMO imported the first Positron Emission Tomography (PET) Scanner in Sri Lanka, which was supplied to the Neuro Trauma Unit of the National Hospital of Sri Lanka, Colombo. This was followed by the installation of a second PET Scanner from Siemens at the Apeksha Hospital in Maharagama

BROADENED PORTFOLIO IN AGRICULTURE

The product portfolio in Agriculture related businesses expanded rapidly during the year, which warranted the recognition of a new segment titled "Agriculture". This included a successful entrance into the fertiliser business where results exceeded the initial plans. The recent re-introduction of the fertiliser subsidy scheme, imposing quota limitations on importers is viewed as a temporary set-back to this business. We are determined to reverse the set-back and make an impact through our own differentiation strategies.

A multi- purpose centre of excellence was set up on our twenty eight acre property in Dambulla, acquired during the previous financial year. This will also serve as the research and innovation centre for the "DIMO-Agri" brand.

The acquisition of 51% of PlantChem (Pvt) Ltd. and Plant Seeds (Pvt) Ltd. towards the end of the financial year, helped us to fast track our plans to add seeds, agrochemicals and speciality fertilisers to our portfolio, as these products were already part of the established portfolios of the two companies. Together with the harvesters and tractors that were already in our portfolio, these businesses will create a formidable segment that is expected to significantly contribute to future growth.

AGRICULTURE SEGMENT

The final result of this segment weighed heavily on the agricultural equipment business, as the fertiliser business was in its infancy and was not significant enough to make an impact. The acquisitions of agrochemicals, seeds and speciality fertiliser businesses too were made only towards the end of the financial year.

The country's agriculture sector which is heavily influenced by weather patterns, recorded a negative growth of 0.8% for the year 2017. In this scenario, the agricultural equipment business, which recorded an encouraging result during the previous year, did not perform up to expectation, with many factors including adverse weather playing a part. As a result, the segment result declined by 39.6%. The expansion of the portfolio, supported by counter strategies to beat the external impact, is expected to deliver an improved performance in the following year.

INIMITABILITY

Our capitals define our inimitability as the uniqueness of the value proposition that we offer is influenced by the quality and availability of capitals. Whilst monetised capital, which is reflected in our balance sheet plays a key role in the success of our organisation, the non- monetised capitals, which have a significant bearing on our long- term competitiveness and sustenance, play a significant role in executing the collaboration strategy. This integrated annual report provides information relating to non-monetised capitals, providing an assessment of the capitals and their value to the organisation. The capitals report is available from page 60 to 91.

THE CATALYST

Nurturing capitals is a key aspect in value creation. Amongst all the capitals, our human capital or employees hold a special place, as it is they who create value, using the inputs provided by other capitals. I often refer to our employees as the "Soul" of DIMO. Given the important role played by them in value creation in the short, medium and long term, our employees are continuously nurtured and developed in a manner that will be beneficial to themselves and to the organisation.

Employee engagement forms one of the three pillars of our human capital management strategy, as we firmly believe in the positive relationship between an employee's level of engagement and their contribution to value creation. We measure employee engagement annually and I am pleased to state that our employment engagement score increased to 4.00 from 3.88 last year, out of a score of 5.

SUSTAINABLE DEVELOPMENT GOALS

It is part of our business philosophy to ensure that we carry out our business activities with a sense of responsibility, whilst being a partner in sustainable development. Being a signatory to the UN Global Compact (GC), we have committed ourselves to the GC principles and the Sustainability Development Goals (SDG). Depending on affordability, we also lend a helping hand towards addressing issues that lie beyond our organisation's business boundaries. The turtle conservation project is one such project we support with the voluntary participation of our employees. A separate report on our participation towards the SDGs is presented on pages 114 to 115.

MANAGING IMPACTS

Our value creation activities result in economic, social and environmental impacts, which we manage through the various management systems installed, including the quality management system, the environmental management system and the social accountability management system. The manner in which we manage our impacts throughout the value chain, our voluntary initiatives, and their outcomes are discussed in the impact management report appearing from page 116 to 131.

CAPITAL INPUTS FROM STAKEHOLDERS

Dependence on stakeholders is important to us as they are instrumental in the supply of inputs through capitals such as monetised, relationship, intellectual and human capital, as depicted in our value creation model. Our stakeholder engagement process, as discussed from page 34 to 35, is aimed at identifying the expectations of our stakeholders, which will be given due consideration in our strategy formulation.

PROJECT SHARK

In 2016, DIMO had tremendous success in sponsoring a team of engineering students from the University of Moratuwa for the Formula Student World Competition where they bagged three awards in their inaugural international event. Building on this success, DIMO will once again sponsor the team in 2018, where this year's team will focus on designing and locally developing integrated systems that will help them to construct the racing car to be used this year, at a lower cost. This project titled "Project Shark" also serves as a relationship building exercise between top engineering talent in Sri Lanka and the Company.

DIMO ACADEMY FOR TECHNICAL SKILLS (DATS)

Our flagship training programme on technical skills in automotive and related fields of engineering continues to provide Sri Lankan youth with quality training and a widely accepted qualification. The training methods and the course content are constantly reviewed and upgraded to meet the technological demands of the industry. Over 450 students have been beneficiaries of the academy, which has been in operation for over 27 years. Rs. 10.5 million was invested during the year as capital expenditure towards its improvement.

Our flagship training programme on technical skills in automotive and related fields of engineering continue to provide Sri Lankan youth with quality training and a widely accepted qualification. The training methods and the course content are constantly reviewed and upgraded to meet the technological demands of the industry

OUTLOOK

The current engine capacity based tariff policy places pressure on our small and medium commercial vehicles with relatively low CIF values that catered to market segments seeking an affordable, relatively low cost vehicle. In the absence of a change in policy, a change in fortunes of this vehicle category cannot be expected in the ensuing year.

A resurgence in the vehicle after services business is expected and indications are that this segment will deliver significant growth in the segment result. This encourages us to seek further areas for improvement, which will receive due management attention.

Businesses in the Marketing and Distribution Segment are receiving close attention and the current structures and processes are being reviewed with a view to reforming the business units.

The heightened building construction activity that can now be observed is expected to positively impact our building technologies business. However, its impact in terms of bottom line will be seen only in the subsequent years, as our revenue streams will follow the progress of the construction contract. The significant volume of business in the pipeline is expected to provide a boost to the power solutions business and record an improved performance in the ensuing year. Budgets of the Medical Engineering business too indicate an improved performance.

After several consecutive seasons marred by floods and droughts, there are hopes of improved weather. Such an eventuality will provide a boost to the tractor and harvester sales during the ensuing year.

The introduction of the fertiliser subsidy scheme is bound to curtail the momentum gathered since the launch of the business. However, we expect to be compensated by the contribution from new investments made in seeds and agrochemicals through the acquisitions made during the year.

Flowing from our philosophy, we are always geared to be responsive to stakeholder expectations and we strive to deliver superior value to them. From a financial perspective, the budgets prepared for the financial year 2018/19 indicate a much improved financial result

A.G. PANDITHAGE
Director/Group Chief Executive Officer

30th May 2018
Colombo

HOW TO READ THE REPORT

This report covers the activities of Diesel & Motor Engineering PLC (DIMO) and its Subsidiaries, collectively referred to as the DIMO Group, spanning the 12-month period ended 31st March 2018. The section 01 of the Consolidated Financial Statements of the Group appearing from pages 139 to 205 provides information on financial reporting boundary of the Group

THE EIGHTH INTEGRATED ANNUAL REPORT

Board's stewardship role brings upon it an obligation to be transparent and accountable. Potential investors seek information relating to the value creating ability of the Group in the short, medium and long term. Laws and regulations require publication of Financial Statements, reports, other statements and disclosure of specified information. This Annual Report is prepared and presented to satisfy the aforesaid requirements and needs.

In here we explain basic information that provide the basis of preparation of this Annual Report and that will be useful to understand this report.

"VALUE" WE PURSUE

Bearing the Group's statement of purpose in mind; "Create value responsibly", at DIMO we see value as more than simply financial returns. Value that we pursue is manifested in the five strategic outcomes stated in the strategy statement presented on page 29 and capitals that provide inputs for value creation. Those outcomes seek to deliver sustainable returns to our shareholders whilst balancing the Company's responsibilities towards its diverse stakeholders including the society and the environment.

GRI 102 - 45, 102 - 46, 102 - 49

INTEGRATED THINKING AND MATERIALITY

This report focuses on those aspects that materially affect DIMO's ability to create value in short medium and long term. Our value creation model presented on page 32 identifies four broad areas that affects the Group's ability to achieve its strategic outcomes; Group's material dependencies and resources, value creation activities, outputs and enterprise governance. Each section of this report present a comprehensive analysis of material information related to each area of the value creation model together with the Group's strategy. Where necessary, additional information are disclosed to enhance the clarity and understandability.

Stakeholder material issues identified through stakeholder engagement, important topics of Board and General Management Committee (GMC) discussions and results of the Group's risk management process provide indications on significance of each material aspects. Such indications are analysed and the Group's value creation model is adjusted accordingly. Below presented is a summary of significant changes conducted to the value creation model to reflect the shift in materiality during the year.

Significant Change	Area Affected	The shift in material aspects	Page reference
Significant investments in agricultural sector in the last few years which include fertilisers, agro chemicals and seeds operations.	Capital Management	Identification of natural capital as a capital input to the business model. (In previous Annual Integrated Reports, the Group only reported on impacts on the Environment)	Natural Capital Management Report on Page 88 – 91
	Value Chain Management	With the new investment the Group's value chain now operates in six business segments including the agriculture segment	Agriculture business segment on page 107-108

REPORT BOUNDARIES

This report covers the activities of Diesel & Motor Engineering PLC (DIMO) and its Subsidiaries, collectively referred to as DIMO Group, spanning a 12-month period ending 31st March 2018. The section 01 of the Consolidated Financial Statements of the Group appearing from pages 139 to 205 provides information on financial reporting boundary of the Group. Value Chain Management Report appearing from pages 92 to 111 identifies the activities of the Group.

When reporting on non-monetised information, some disclosures excludes the information pertaining to the key changes to the Group structure during the year and such exclusion is mentioned where applicable. The key changes to the Group Structure during the year include the investments on DIMO Lanka Company Limited and United DIMO Lanka Company Limited and acquisition of PlantChem (Private) Limited, Plant Seeds (Private) Limited in August 2017 November 2017 and February 2018 respectively.

The operations of the DIMO Coastline (Pvt) Ltd which is an equity accounted investee has not been considered for reporting on sustainability performance as Group does not exercise significant management control over the company.

Except for these new acquisitions there have been no changes in reporting scope and/or boundaries from the previous year.

This report also cover risks, opportunities and outcomes that could materially affect the organisation's ability to create value which arises from our operating and economic environment.

GRI 102 - 45, 102 - 46, 102 - 48

LAWS, REGULATORY FRAMEWORKS, STANDARDS, GUIDELINES AND PROTOCOLS

This report was prepared in accordance with the following laws, regulatory frameworks, standards, guidelines and protocols;

Sri Lankan Laws, Regulatory Frameworks, and Standards

- The Companies Act No. 07 of 2007
- The Listing Rules of the Colombo Stock Exchange (CSE)
- Sri Lanka Accounting Standards (LKASs / SLFRSs)

International Guidelines, Standards and Protocols

- International Integrated Reporting Framework (International <IR> Framework), of which the Company is a business network member
- GRI Standards issued by the Global Sustainability Standards Board (GSSB)
- The Greenhouse Gas Protocol Corporate Standard published by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) used to measure and report on the Group's carbon footprint

VIRTUAL PRESENCE AND WEB DISCLOSURES

A soft copy of this Annual Report is available on the Company website: www.dimolanka.com. In addition, the manner in which the Group has complied with the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka (SEC) issued in 2017 is also available in the Company website. Specific online references are given on page 02.

SUSTAINABILITY

The information content of the report also covers the economic, social and environmental impacts resulting from the value creation activities of the Company and its subsidiaries, and includes a reasonable assessment of potential impacts. Sustainability Reporting principles including Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness have been given due consideration in determining the report content.

This report also contains the Sustainability Objectives set by the Sustainability Committee, which are formulated based on material aspects identified. The test of materiality embedded in our processes has ensured that we report on all material issues relating to sustainability regarding aspects internal and external to the organisation within the sphere of influence of the Company. The DIMO stakeholder identification process ensures stakeholder inclusiveness. The Sustainability Committee has approved all the information and data relating to sustainability objectives that are contained in this report.

This report has been prepared in accordance with the GRI Standards: Comprehensive option. The GRI content index is available from page 209 to 214.

This report also acts as a Communication on Progress (COP) for the United Nations Global Compact.

Non-financial information in this report pertaining to the previous year has not been restated, unless otherwise stated.

INDEPENDENT ASSURANCE

The Board has obtained following independent assurances relating to information presented in this Annual Report.

- Assurance from the Independent Auditors on the Consolidated Financial Statements (Independent Auditors' Report)
- Assurance from DNV GL Business Assurance Lanka (Pvt) Ltd on Non- Financial Information (Appendix III – independent Assurance Statement on Non-Financial Reporting) according the AA1000 Assurance Standard.

BOARD OF DIRECTORS' STATEMENT ON THE EIGHTH INTEGRATED ANNUAL REPORT

The Board of Directors;

- acknowledges that reasonable care has been taken in the preparation and presentation of this Integrated Annual Report, to preserve its integrity
- agrees that the integrated Annual Report has been presented in accordance with the International Integrated Reporting Council's International Integrated Reporting Framework V1.0; and
- believes that, to the best of its knowledge and belief, the integrated annual report addresses all material issues and fairly presents the integrated performance of the Group and its impacts.

Signed for and on behalf of the Board,

A.R. Pandithage
Chairman/Managing Director

A. D. B. Talwatte
Chairman - Audit Committee

A.G. Pandithage
Director/Group Chief Executive Officer

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

30th May 2018

OUR HISTORY

Stephen Peries

Pandithage Don Alexander

Harold Algama

Cyril Algama

HUMBLE BEGINNINGS

Stephen Peries, Pandithage Don Alexander, Harold Algama and Cyril Algama were four young Sri Lankans who worked together at Heller & Co. Ltd., which held the distributorship of several world renowned German brands such as Mercedes Benz, Bosch, and Siemens. World War 2 in 1939 saw the government acquiring the business from German national Mr. F K Heller as it was deemed to be enemy property.

The four young men launched out on their own that year, opening a workshop in rented premises off Prince of Wales Avenue, Panchikawatte – the humble beginnings of what was to become Diesel & Motor Engineering PLC. These ambitious men set their sights high on conducting business ethically and with excellence.

Starting out by manufacturing gaskets and parts, DIMO diversified over time into the sale of electrical parts and fittings for motor vehicles. DIMO was incorporated as a Private Limited Liability Company in 1945, and in 1949, entered into partnership with Lohmann & Company, Breman, Germany through Mr. Heller, who was then a prominent businessmen in Germany. This partnership inspired a significant expansion of DIMO's business and within three years, a showroom, stores and a workshop were all open for business.

DIMO GOING PUBLIC

DIMO became a Publicly Quoted Company in 1964, by obtaining a listing with the Colombo Brokers' Association. DIMO's growth trajectory since has seen it diversify into multiple related business enterprises while remaining true to its core expertise in automobile and heavy-vehicle sales and services.

GROWING UP

The portfolio now includes iconic automobile brand names such as Mercedes, Chrysler, Jeep and TATA while Bosch, MTU, Komatsu, Siemens, Michelin, Osram and Mahindra & Mahindra, all leaders in their respective segments.

DIMO has the distinction of being the oldest distributor for Mercedes Benz passenger and commercial vehicles in the entire Asian region and the sophisticated "DIMO 800 Mercedes Centre" in Colombo is a testament to the relationship, offering best in class sales and aftercare services in a space that showcase the Mercedes Benz experience.

WHAT WE ARE TODAY

Today, DIMO has a strong islandwide presence that includes a state of the art workshop in Siyambalape, Biyagama, logistics hub in Weliweriya, Gampaha and a growing network of regional showrooms and branches that offers easy access to customers from the remotest regions.

The company is committed to enhancing local expertise through the DIMO Automobile Training School in the Western and Northern provinces, which offer a two-year comprehensive service and maintenance course in collaboration with Daimler AG, Germany. The DIMO NaSevana Technical Training Institute in the Deep South also supports the development of youth skills.

Nearing 80 years of operations, DIMO remains an indomitable spirit, with deep Sri Lankan roots and strong global partnerships. DIMO's achievements are driven by the inherent 'tribal' culture, which provides the platform for shared beliefs and a learning environment that is inclusive, evolutionary and continuous. DIMO takes immense pride in its purposefully crafted business model that delivers stakeholder value through the excellence of its products and processes, and the passion of the DIMO tribe.

GROUP STRUCTURE

GRI 102 - 45

Company	Division	Segment	Name of the Directors
Diesel & Motor Engineering PLC — Parent — Founded 1939, Inc. 1945	Automobile	Vehicles-Sales; Vehicles-After Services	A.R. Pandithage (Chairman/Managing Director), A.G. Pandithage (Group CEO), A.N. Algama, S.C. Algama, M.V. Bandara, Dr. H. Cabral, B.C.S.A.P. Gooneratne, P.K.W. Mahendra, A.M. Pandithage, A.N. Ranasinghe, S.R.W.M.C. Ranawana, R. Seevaratnam, A.D.B. Talwatte
DIMO Lanka Company Limited — 100% — Subsidiary — Inc.2017/18			A.R. Pandithage (Chairman), A.G. Pandithage, B.C.S.A.P. Gooneratne
United DIMO Lanka Company Limited — 70% — Subsidiary — Inv.2017/18	Construction & Material Handling	Construction & Material Handling Equipment	A.R. Pandithage (Chairman), A.G. Pandithage, U.M.Z Aung, B.C.S.A.P. Gooneratne, U.T Zin
DIMO Industries (Private) Limited — 100% — Subsidiary — Inc.1979			A.R. Pandithage (Chairman), A.G. Pandithage, S.C. Algama, B.C.S.A.P. Gooneratne
DIMO Travels (Private) Limited — 100% — Subsidiary — Inc.1975	Marketing & Distribution	Marketing & Distribution	A.R. Pandithage (Chairman), S.C. Algama, M.V. Bandara, E.D.C. Kodituwakku
PlantChem (Private) Limited — 51% — Subsidiary — Acq.2017/18			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 — 51% — Subsidiary — Acq.2017/18	Agri	Agriculture	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 (Private) Limited — 100% — Subsidiary — Inc.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 Coastline (Private) Limited — 40% — Joint venture — Acq.2017/18	Industrial Solutions	Electro-Mechanical, Bio-Medical & Marine Engineering	A.R. Pandithage, A.G. Pandithage, A.U Maniku (Managing Director), R.H. Fernando, H.M Fulhu, B.C.S.A.P. Gooneratne, I.G.M Haleem, S.A Maniku

● Shareholding by the parent   Inc.- Incorporated   Acq.- Acquired   Inv.- Investment

Except for United DIMO Lanka Company Limited, for all other companies holding Company is Diesel & Motor Engineering PLC.

BOARD OF DIRECTORS
Leading the way

Standing left to right:

DR. H. CABRAL
Independent Non-Executive Director

A.N. RANASINGHE
Independent Non-Executive Director

M.V. BANDARA
Executive Director

A.M. PANDITHAGE
Non-Executive Director

S.C. ALGAMA
Executive Director

P.K.W. MAHENDRA
Executive Director

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

Seated left to right:

A.G. PANDITHAGE
Director/Group Chief Executive Officer

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

A.R. PANDITHAGE
Chairman/Managing Director

R. SEEVARATNAM
Independent Non-Executive Director/Senior Independent Director

A.N. ALGAMA
Executive Director

A.D.B. TALWATTE
Independent Non-Executive Director

A.R. PANDITHAGE
Chairman/Managing Director

Appointed:	
To Company	June 1973
To Board	June 1977
% of Shares Held*	11.17%

Recipient of Order of Merit of the Federal Republic of Germany.

APPOINTMENTS AT DIMO
Appointed as Joint Managing Director in November 1984 and as Managing Director in 1986. Appointed as the Managing Director/ Chief Executive Officer in 1994. Appointed as the Chairman/Managing Director and CEO in July 2004 and continues as the Chairman/ Managing Director from April 2012 to date.

DIMO COMMITTEE MEMBERSHIPS
NC

QUALIFICATIONS AND EXPERTISE
Holder of Dip. Ing. from Germany. Member of the Institute of Engineers, Germany (VDI).

POSITIONS HELD IN OTHER COMPANIES
Director of Dial Textiles Ltd., Vice President of Sri Lanka - Germany Business Council of the Ceylon Chamber of Commerce.

A.G. PANDITHAGE
Director/Group Chief Executive Officer

Appointed:	
To Company	September 1986
To Board	December 1995
% of Shares Held*	5.92%

APPOINTMENTS AT DIMO
Appointed as the Deputy Chief Executive Officer with effect from April 2006 and as Group Chief Executive Officer from April 2012.

QUALIFICATIONS AND EXPERTISE
Fellow member of the Chartered Institute of Management Accountants, UK. Alumni of Harvard Business School Advance Management Programme (AMP)

POSITIONS HELD IN OTHER COMPANIES
Director of A & G Investments.

A.N. ALGAMA
Executive Director

Appointed:	
To Company	June 1973
To Board	November 1984
% of Shares Held*	2.41%

QUALIFICATIONS AND EXPERTISE
Counts over forty five years of experience at DIMO

POSITIONS HELD IN OTHER COMPANIES
Past Chairman of The Ceylon Motor Traders' Association and Sri Lanka Tyre Importers' Association. Executive Committee member of the Ceylon Motor Traders' Association.

S.C. ALGAMA
Executive Director

Appointed:	
To Company	November 1984
To Board	November 1984
% of Shares Held*	6.40%

APPOINTMENTS AT DIMO
Member of the Board in a Non-Executive capacity from November 1984 to 1994. Appointed as an Executive Director in 1994. Appointed as Managing Director of DIMO (Pvt) Ltd from April 2009.

QUALIFICATIONS AND EXPERTISE
Fellow of the Institute of Incorporated Engineers (SL). Council Member and Chairman-Transport & Automobile Industries Committee of the National Chamber of Commerce, Sri Lanka. Counts over twenty four years of experience in Industrial Solutions division of DIMO.

M.V. BANDARA
Executive Director

Appointed:	
To Company	February 1995
To Board	June 2016
% of Shares Held*	0.02%

QUALIFICATIONS AND EXPERTISE
Postgraduate certificate holder from the University of Southern Queensland, Australia. Possesses a Diploma in Business Management from the University of Colombo. Counts over twenty three years of experience in Sales and Marketing.

DR. H. CABRAL
Independent Non-Executive Director

Appointed:	
To Board	October 2006
% of Shares Held*	None

DIMO COMMITTEE MEMBERSHIPS
NC . RC . AC . RPTRC

QUALIFICATIONS AND EXPERTISE
President's Counsel in Sri Lanka with thirty years experience in the field of Company Law, Intellectual Property Law, Commercial Law, International Trade Law & Commercial Arbitration. President's Counsel for twelve years and commands an extensive practice in the Commercial High Courts and the Supreme Courts of Sri Lanka. Holds a doctorate in Corporate Law from the University of Canberra, Australia. Sitting

* Does not include shareholdings of spouse

AC – Audit Committee, RC – Remuneration Committee, RPTRC – Related Party Transactions Review Committee, NC – Nomination Committee

member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris. Member of the Law Commission of Sri Lanka, a Council Member of the University of Colombo, University Grants Commission (UGC) Nominee on the Post Graduate Institute of Medicine (PGIM), member of the Board of Management of the NSBM Green University and a member of the UGC Committee on Higher Education. As a member of the Advisory Commission on Company Law in Sri Lanka he has contributed heavily to the corporate sector and the legal fraternity and has been one of the architects of the Companies Act No. 7 of 2007. Course Director for the Diploma in Commercial Arbitration at the Institute for the Development of Commercial Law & Practice (ICLP) in Sri Lanka. As a member of the Council of Legal Education in Sri Lanka, as a member the Ministerial Committee appointed to reform Commercial Arbitration in Sri Lanka, as a member of the Senate Aquinas University College, as a member of the Corporate Governance Committee of the Institute of Chartered Accountants of Sri Lanka and as the current Vice President of BRIPASL (Business Recovery & Insolvency Practitioners Association of Sri Lanka), he has contributed immensely to the legal academia. Serves on several Audit Committees, Nomination Committees, Remuneration Committees and Integrated Risk Management Committees, chairing most of them. Visiting lecturer at several Universities and a regular speaker at public seminars, author of several books and has presented several papers on Corporate Law, Intellectual Property Law, International Trade Law & Commercial Arbitration in Sri Lanka and abroad. In addition to his active practice in courts and lecturing, he has been counsel for either the Claimant or the Respondent in many a Arbitration and has served as Sole-Arbitrator, Co-Arbitrator, Chairman in a large number of Arbitrations domestic and international in Sri Lanka and abroad.

POSITIONS HELD IN OTHER COMPANIES

Chairman - Tokyo Cement Company (Lanka) PLC, Immediate past Chairman of LOLC Finance PLC. He serves as Independent Non-Executive Director of Hayleys PLC, Alumex PLC, Tokyo Super Cement Company Lanka (Private) Limited, Tokyo Cement Power Lanka (Private) Limited, Tokyo Eastern Cement Company (Private) Limited, Tokyo Super Aggregate (Private) Limited, Tokyo Supermix (Private) Limited & World Export Centre Limited.

B.C.S.A.P. GOONERATNE

Director/Chief Financial Officer/Company Secretary

Appointed:	
To Company	January 2001
To Board	April 2006
% of Shares Held*	None

QUALIFICATIONS AND EXPERTISE

Fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and holder of Master of Business Administration degree from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

POSITIONS HELD IN OTHER COMPANIES

Non-Executive Director of Hunas Falls Hotels PLC.

P.K.W. MAHENDRA

Executive Director

Appointed:	
To Company	July 2006
To Board	June 2016
% of Shares Held*	None

QUALIFICATIONS AND EXPERTISE

Mechanical Engineer and holder of a Bachelor's Degree from the University of Greenwich, UK. Counts over twenty three years of experience in Engineering and General Management including twelve years at DIMO.

A.M. PANDITHAGE

Non-Executive Director

Appointed:	
To Board	September 1982
% of Shares Held*	2.05%

DIMO COMMITTEE MEMBERSHIPS

NC . RC . AC . RPTRC

QUALIFICATIONS AND EXPERTISE

Fellow of the Chartered Institute of Logistics and Transport (UK).

POSITIONS HELD IN OTHER COMPANIES

Chairman and Chief Executive of Hayleys PLC. Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ships' Agents.

* Does not include shareholdings of spouse

AC – Audit Committee, RC – Remuneration Committee, RPTRC – Related Party Transactions Review Committee, NC – Nomination Committee

A.N. RANASINGHE

Independent Non-Executive Director

Appointed:	
To Board	July 2017
% of Shares Held*	None

DIMO COMMITTEE MEMBERSHIPS

NC . AC . RPTRC

QUALIFICATIONS AND EXPERTISE

Chartered Marketer & Fellow of The Chartered Institute of Marketing, UK. A Chemistry Special Hons graduate from University of Colombo. Holder of MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura and also a Professional Post Graduate Diploma in Marketing (DipM MCIM) from The Chartered Institute of Marketing, UK. Visiting lecturer in marketing and strategy at the Postgraduate Institute of Management, University of Sri Jayewardenepura. Counts close to 25 years corporate experience at Unilever in Research & Development, Manufacturing and Supply Chain. Current President of the Chartered Institute of Marketing, Sri Lanka.

POSITIONS HELD IN OTHER COMPANIES

Group Marketing Director & Sector Managing Director – Consumer & Retail of LAUGFS Holdings PLC. Previously held positions of Marketing Director of Unilever, Sri Lanka Ltd., Vice President of Unilever, Pakistan and CEO of Brandix Lanka Limited.

S.R.W.M.C. RANAWANA

Executive Director

Appointed:	
To Company	November 2002
To Board	June 2016
% of Shares Held*	None

QUALIFICATIONS AND EXPERTISE

Holder of MBA from Wanaborough University - UK and a Diploma in Business Management from SLBDC. Possesses over thirty two years of experience in Industrial Sales & Marketing specialising in storage, material handling equipment and construction machinery businesses including sixteen years of work experience at DIMO.

R. SEEVARATNAM

Independent Non-Executive Director/Senior Independent Director

Appointed:	
To Board	January 2007
% of Shares Held*	None

DIMO COMMITTEE MEMBERSHIPS

NC . RC . AC . RPTRC

QUALIFICATIONS AND EXPERTISE

Fellow member of The Institute of Chartered Accountants of Sri Lanka (ICASL) and England & Wales and holder of General Science Degree from the University of London. Former Senior Partner of KPMG Ford, Rhodes, Thornton & Company.

POSITIONS HELD IN OTHER COMPANIES

Independent Non-Executive Director of Acme Printing & Packaging PLC, Acme Packaging Solutions (Pvt) Ltd, Tea Smallholder Factories PLC, Tokyo Cement Company (Lanka) PLC, Lanka Aluminium Industries PLC, Metecno Lanka (Pvt) Ltd, Green Farms (Pvt) Ltd, Colombo Fort Land & Building Co PLC, Omega Line Ltd, Sirio Ltd, Benji Ltd, Alpha Apparels Ltd, Nestle Lanka PLC, Distilleries Company of Sri Lanka PLC, Lankem Ceylon PLC, Colombo Fort Land Investments PLC E.B. Creasy & Company PLC.

A.D.B. TALWATTE

Independent Non-Executive Director

Appointed:	
To Board	June 2016
% of Shares Held*	None

DIMO COMMITTEE MEMBERSHIPS

NC . RC . AC . RPTRC

QUALIFICATIONS AND EXPERTISE

Fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants (CIMA), U.K. Possesses Post-Graduate Diploma in Business and Financial Administration awarded by ICASL and the University of Wageningen, Holland and holder of MBA from the University of Sri Jayewardenepura, Sri Lanka. Participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois. Worked at Ernst & Young in Assurance, Business Risk and Advisory Services for thirty seven years of which ten years was as Country Managing Partner. Worked with Ernst & Young in Cleveland, Ohio and served on Ernst & Young's Far-East Area Executive Committee, the Area Advisory Council and served on the ASEAN Leadership Committee. Past President of the Institute of Chartered Accountants of Sri Lanka (ICASL) for a two year period in 2002/03 and the Chartered Institute of Management Accountants (CIMA) U.K-Sri Lankan division in 1995/96. Served as the Chairman of the Statutory Accounting Standards Committee and the Auditing

* Does not include shareholdings of spouse

AC – Audit Committee, RC – Remuneration Committee, RPTRC – Related Party Transactions Review Committee, NC – Nomination Committee

Standards Committee, the Urgent Issues Task Force and the Examinations Committee of ICASL and closely associated with the development of Corporate Governance in Sri Lanka. Actively involved with the Code of Corporate Governance of 2003 and the Code of Audit Committees in 2002, Co-chaired the Committee which revised the Code of Corporate Governance of 2008 and the Listing Rules, Co-chaired a Committee on Corporate Governance set up by ICASL jointly with the SEC to review and revise the Code of Corporate Governance in 2012 and the voluntary code of 2017. Chairs the Integrated Reporting Council in Sri Lanka.

POSITIONS HELD IN OTHER COMPANIES

Chairman of Management Systems (Pvt) Limited (MSL). Serves as a Non-Executive Director on boards of listed companies, public and private companies.

GROUP MANAGEMENT COMMITTEE
Inspiring ourselves, inspiring others

Standing left to right:

C.R. PANDITHAGE
General Manager – Mercedes – Benz Vehicle Sales

E.D.C. KODITUWAKKU
General Manager – Finance & Controlling

M.V. BANDARA
Executive Director

R.K.J. GUNASEKERA
General Manager – Business Development & Innovation

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

P.K.W. MAHENDRA
Executive Director

N. MUDANNAYAKE
General Manager – Information Technology

Seated left to right:

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

A.G. PANDITHAGE
Director/Group Chief Executive Officer

A.R. PANDITHAGE
Chairman/Managing Director

D.N.K. KURUKULASURIYA
Chief Human Resources Officer

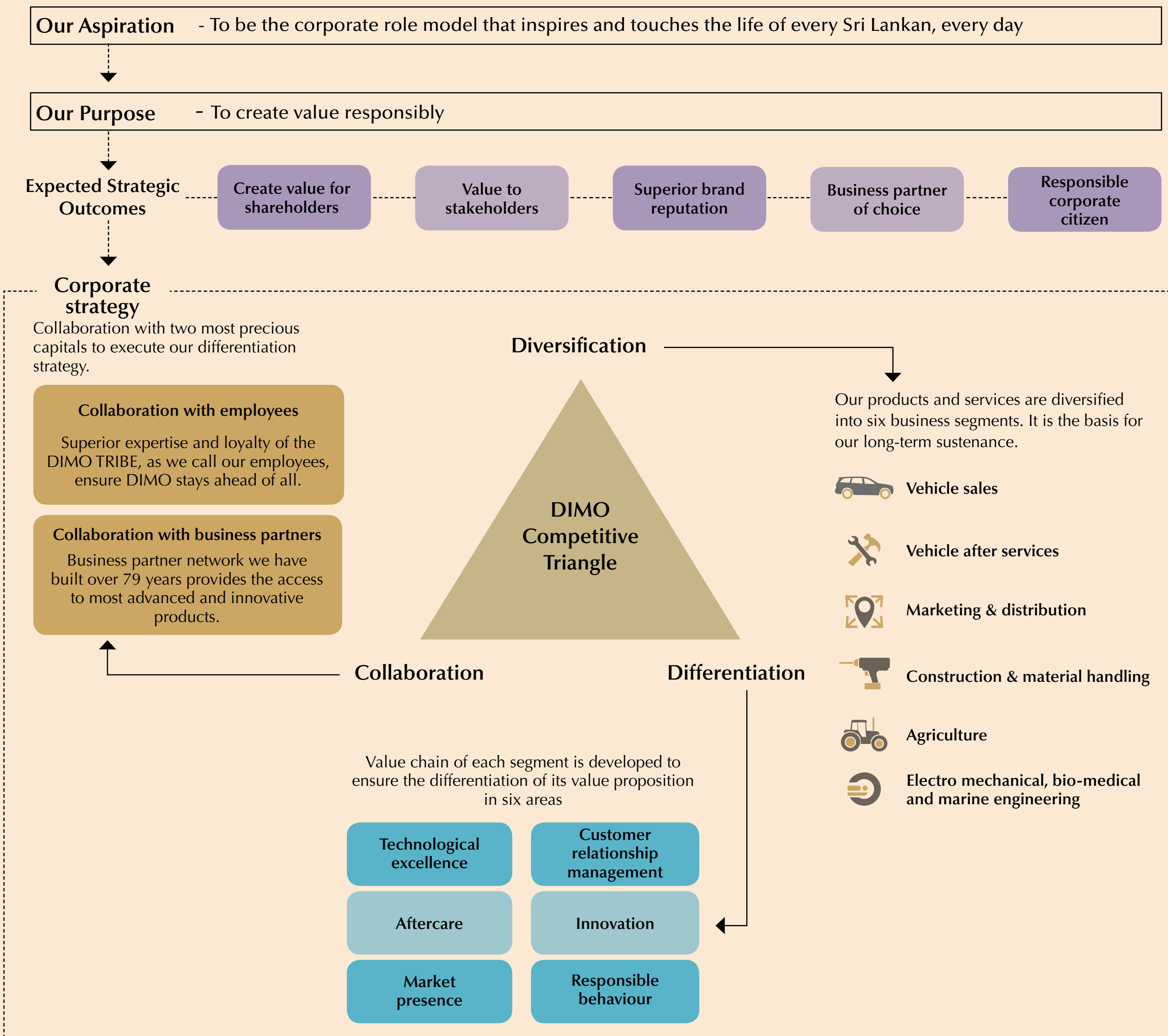
S.C. ALGAMA
Executive Director

CHANGE IS PROGRESSIVE

STRATEGY

Here we present important information about DIMO's corporate strategy. The section describes how our value creation model drives our strategy, which includes the three key elements of collaboration, differentiation and diversification. We also show how DIMO's strategy has resulted in five important outcomes achieved through our model of value creation. This is also where the reader can learn about how we engage with our stakeholders, together with an analysis of our sustainability performance.

CORPORATE STRATEGY



Guided by our aspiration and purpose, the overarching corporate strategy of DIMO is built on three key pillars – Diversification, Differentiation and Collaboration. We collaborate with employees and business partners, two key providers of capital inputs, to execute our differentiation strategy to compete. Related diversification, the other pillar of corporate strategy, seek that we offer our competitive value proposition in diverse areas, also providing a platform for growth. This is our corporate strategy in a nutshell.

This three pillar strategy is aimed at achieving five strategic outcomes while delivering returns to our shareholders and enhancing our value stores - our capitals. For this, we continually seek refinement of our value creation process. Our six capitals, for which we depend on our critical stakeholders, deliver inputs for our four value creation activities, which leads to the outputs, and our desired strategic outcomes. The way we do business and the way we manage our economic, environment and social impacts will help us to project ourselves as a responsible corporate citizen. The resulting outcomes and impacts will in turn help us to boost our ability to create value in the short, medium and long term. This is the story behind our value creation model presented on pages 32 and 33.

The desired outcomes expected from the corporate strategy and the value creation model, deliver our purpose, "create value responsibly", which is driven by our aspiration.

FROM PURPOSE TO ACTION

Create value for shareholders

Dividend Per Share (Rs.)	Earnings per Share (Rs.)	Price Earnings Ratio (Times)	Increase in Net Asset per Share
20	62	7.50	16%
2016/17 - 24	2016/17 – 74	2016/17 – 7.57	2016/17 – 2%

Value to stakeholders

Value shared with employees (Rs. Mn)	Customer Satisfaction Index (CSI)	Employee Satisfaction Index (ESI)	Taxes and Tariff paid to Government (Rs. Mn)
3,335	88%	66.3%	12,513
2016/17 - 3,326	2016/17 – 90%	2016/17 – 64.5%	2016/17 – 12,446

Superior brand equity

"DIMO is undoubtedly one of Sri Lanka's most respected and leading brands."
Ashish Mishra
Managing Director
Interbrand India

Gold award for the best Integrated Annual Report-2017 by The Institute of Chartered Accountant of Sri Lanka

National Award for Quality and Productivity - Gold award for Siyambalape and Ratmalana workshops

Winner of Sri Lanka's "Best Employer Brand Award" 2017 by World HRD Congress

Business partner of choice

More than 50 years of relationships with world leaders such as Daimler AG, TATA Motors Limited, Siemens AG and Robert Bosch GmbH

22
Number of overseas business partners with more than 20 years relationship

7
Business partners featured in Fortune 500 list in 2017

Recognised for the Best Spare Parts retail Network Development in 2017 by TATA Motors Limited

Responsible corporate citizen

SA 8000:2014
accredited for Social Accountability Management System

Rs. 107 mn
Investment in voluntary initiatives that promotes sustainable development

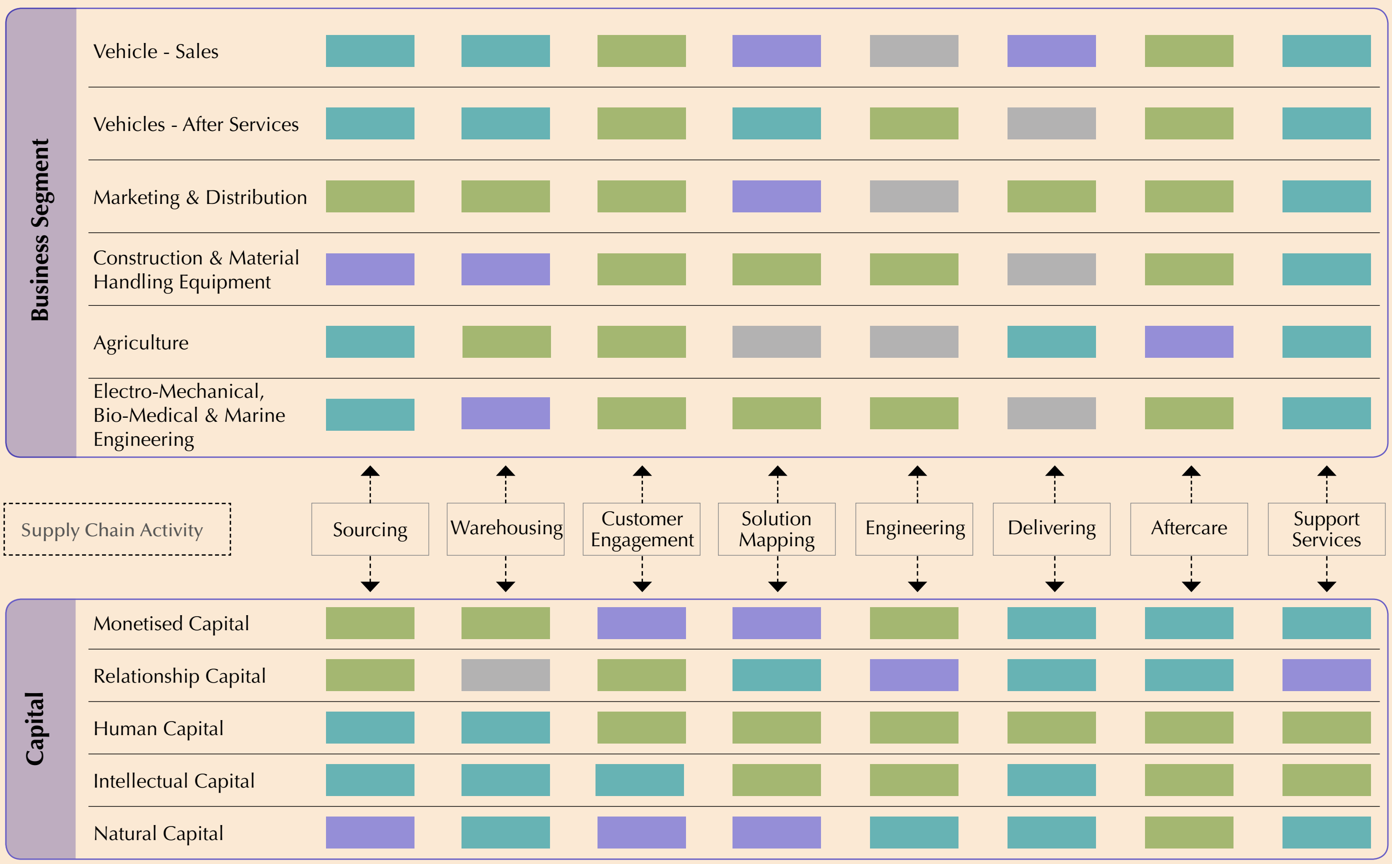
ISO 14001:2015 accredited environmental management system.

SUSTAINABLE DEVELOPMENT GOALS
Participate in Sustainable Development Goals (SDGs)

BASIS FOR RESOURCE ALLOCATION

Businesses are clustered together based on their similarities and guidance provided by the Sri Lanka Accounting Standards, and are called business segments. The value chain activities are found to be similar by the businesses within one segment while it can differ for two different businesses in two business segments. On the other hand capital inputs required by one value chain activity may be different from the capital input requirement of another. Therefore, a connection can be identified between the business segments and the criticality of different capitals to that business segment through value chain activities. The following illustration depicts the criticality of each value chain activity to each business segment and the criticality of each capital for each value chain activity, thus establishing connectivity between each business segment and each capital. Establishing this connection helps us to allocate resources or in other words inputs from capitals, based on the requirement of each value chain activity and consequently for each business segment.

Supply Chain Activities' Connectivity with Business Segments and Capitals



Legend

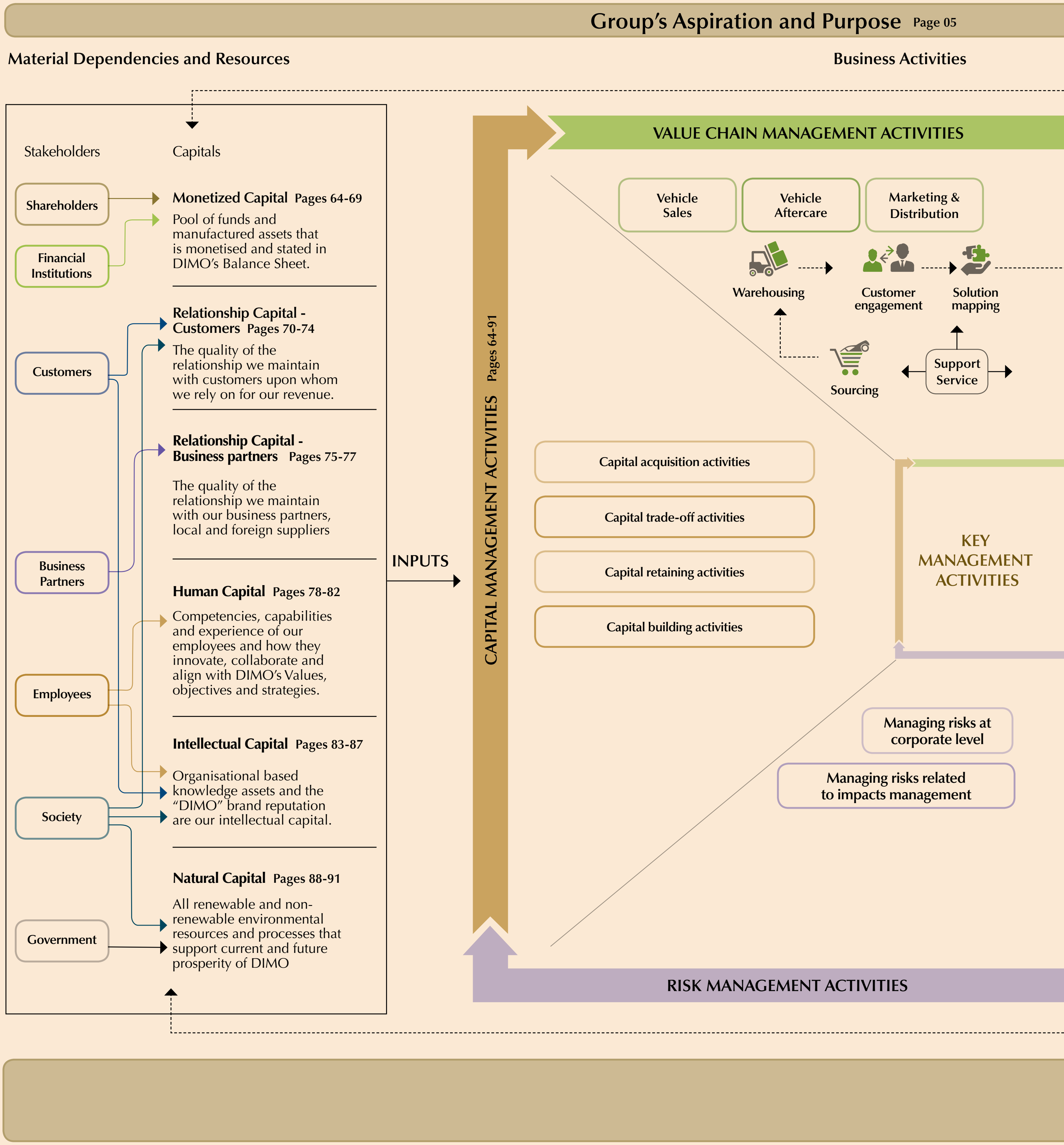
Criticality of Supply Chain Activity to Business Segment and Criticality of Capital to the Supply Chain Activity

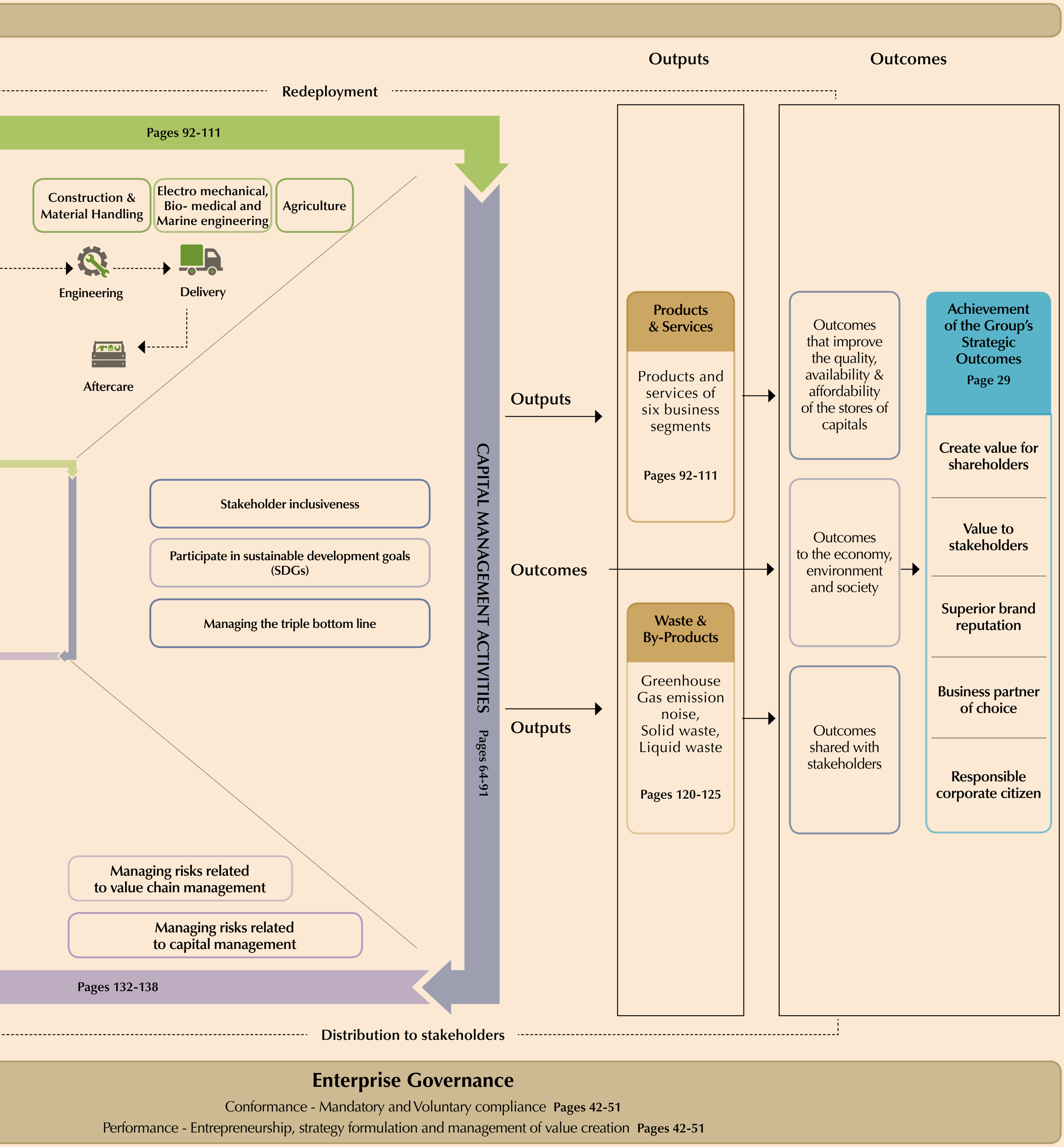
- Extremely Critical
- Moderately Critical
- Required may not be Critical
- Moderately Required or Not Required

Value Creation Activity and Description

Sourcing	Evaluation of requirements, identification of suppliers and inward carriage
Warehousing	Unloading and storing
Customer Engagement	Marketing, identification of customer needs, prospecting and selling
Solution Mapping	Identification of a solution for the customer need
Engineering	Planning, designing and execution of engineering work
Delivering	Physical delivery of goods, rendering services and providing solutions to the customers
Aftercare	Addressing customers' post-delivery requirements
Support Services	Provision of support services for supply chain activities

VALUE CREATION MODEL




Outputs
Outcomes
Redeployment
Pages 92-111
Construction & Material Handling
Electro mechanical, Bio- medical and Marine engineering
Agriculture
Engineering
Delivery
Aftercare
CAPITAL MANAGEMENT ACTIVITIES Pages 64-91
Outputs
Outcomes
Outputs
Stakeholder inclusiveness
Participate in sustainable development goals (SDGs)
Managing the triple bottom line
Managing risks related to value chain management
Managing risks related to capital management
Pages 132-138
Products & Services
Products and services of six business segments
Pages 92-111
Waste & By-Products
Greenhouse Gas emission noise, Solid waste, Liquid waste
Pages 120-125
Outcomes that improve the quality, availability & affordability of the stores of capitals
Outcomes to the economy, environment and society
Outcomes shared with stakeholders
Achievement of the Group's Strategic Outcomes
Page 29
Create value for shareholders
Value to stakeholders
Superior brand reputation
Business partner of choice
Responsible corporate citizen
Distribution to stakeholders
Enterprise Governance
Conformance - Mandatory and Voluntary compliance Pages 42-51
Performance - Entrepreneurship, strategy formulation and management of value creation Pages 42-51

STAKEHOLDER ENGAGEMENT

GRI 102 - 42

MATERIAL SIGNIFICANCE OF STAKEHOLDER ENGAGEMENT

Stakeholders are the key providers of critical capitals to the Group that enable the generation of competitive sustainable value in the short, medium and long term. Feedback from stakeholders helps to understand their view point and to develop effective strategies for value creation. Their expectations and needs, which emerge from the engagement process, help us refine our products and services, and deliver value to them.

The stewardship role played by the Directors demands that they act responsibly towards stakeholders. The stakeholder engagement process identifies material stakeholder issues that must be addressed in our journey towards being a better corporate citizen.

The illustration below explains how the outcome of the stakeholder engagement enhances our strategies and value creation process.

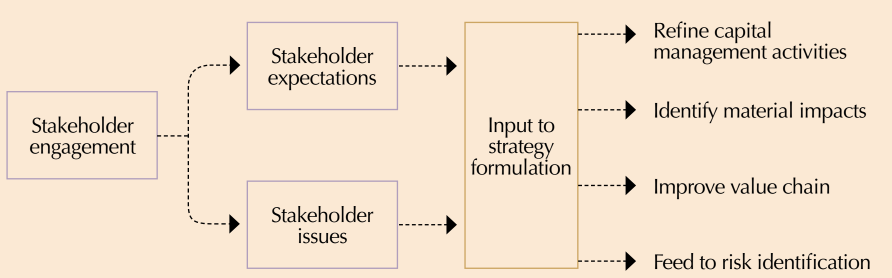
STAKEHOLDER ENGAGEMENT IN PRACTICE

Our stakeholder engagement process involves three important steps as depicted in the diagram.

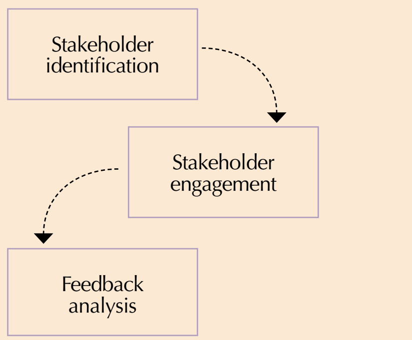
DIMO's Sustainability Committee together with the senior management closely monitors the stakeholder engagement process to ensure that it is conducted independently.

The process is further supplemented by our ISO accredited Quality Management System (QMS) and Environmental Management System (EMS), and our Customer Relationship Management System.

Stakeholder Engagement Feeds Strategy Formulation



Stakeholder Engagement Process



Stakeholder identification

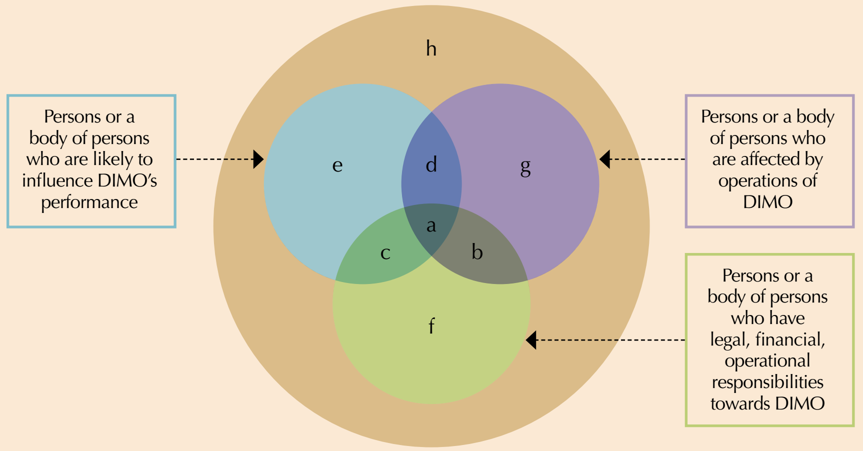
DIMO's stakeholders were identified by the Sustainability Committee following a comprehensive analysis of data independently obtained from various stakeholder groups.

Those identified stakeholders are categorised into three groups based on their ability to impact our value creation or to be affected by our value creation. Three sets of stakeholders are then analysed against each group using the following criteria to identify stakeholders that are material to our business:

- Those who exhibited all three of the identified characteristics are regarded as the most important for engagement (a)
- Those who exhibited two of the identified characteristics are regarded as the next most important for engagement (b, c and d)
- Those who exhibited only one or none of the identified characteristics are not, as a rule, considered for periodic engagement. However, the Sustainability Committee may decide to include any party for periodic engagement (e, f, g and h)

The stakeholder identification process is revisited every five years, to determine whether any new types of stakeholders should be included.

Stakeholder Identification



GRI 102 - 40, 102 - 43

Stakeholder Engagement

The engagement practically takes place through a number of methods which vary from surveys to independent one-to-one interviews. Those methods and the frequency of the engagement are decided based on the nature and the quality of the existing relationship with the stakeholders. An assessment of the quality of the relationships, the methods we adopt to identify issues of each material stakeholder and the frequency of those engagements are detailed below;

Assessing the quality of the relationship

This scale represents our internal assessment on the quality of our relationships.

	No existing relationship
	Relationship established, more engagement required to improve quality of relationship
	A value-generating connection has been established but still room for improvement
	Good-quality, mutually beneficial relationship with some room for improvement
	Strong relationship of mutual benefit

Stakeholder Engagement

Stakeholders	Engagement Method	Frequency
Shareholders Providers of financial capital and owners of the Company. Thus their expectations are at the heart of what we do	One-to-one interviews (by independent parties)	Once every 3 years
	Annual General Meeting provides an opportunity to review the past year's performance and engage in discussions with the management	Once a year
	Annual Report	Once a year
	Quarterly Financial Statements	Every quarter
	Company website	Online
	CSE website	Online
Customers Customers are our principal source of revenue and form part of our non-monetised capital. Their satisfaction is vital to our success.	One-to-one interviews	Once every 3 years
	The Customer Relationship Management process (CRM) enables daily engagement with customers and helps us to respond to customer queries and problems faster.	24 hours, 7 days
	The Customer Satisfaction Index maintained by each business unit provides an assessment of satisfaction levels and helps to improve the problem solving capacities of the Company	Once a month/quarter
	Loyalty customer clubs (TATA Emperor, Mercedes-Benz Club & Jeep club) enable an opportunity to communicate with loyal customers.	Continuous
Business Partners & Suppliers Business partners are a critical link in our supply chain and a part of our relationship capital.	One-to-one interview (by independent parties)	Once in every 3 years
	A high speed 24 x 7 online link enables constant dialogue with principals. Issues such as product quality, marketing, customer satisfaction, 'problem solving' and employee motivation are discussed on this platform.	Continuous
	On-site visits from principals and on-site visits to principals' locations facilitate engagement.	Continuous
Employees The key resource for competitive advantage and sustainable growth	One-to-one interviews (by independent parties)	Once every 3 years
	Focus group discussions (by independent parties)	Once every 3 years
	Employee Council Meetings	Once a month
	Employee Portal of the Company network accessible to every employee.	Continuous
	Annual strategic planning meeting	Once a year
	Company's 'Open Door' policy encourages direct employee – management dialogue	Continuous
	Annual Employee Surveys - voluntary and confidential	Once a year
	Individual Performance Reviews – bi-annually	Bi annual
	HR Clinics	Continuous
	Employee reward and recognition	Continuous

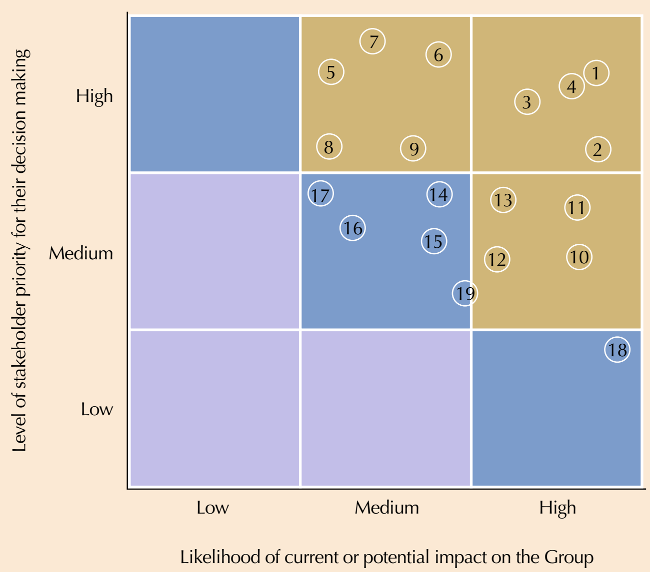
GRI 102 - 40, 102 - 46, 102 - 47

Stakeholders	Engagement Method	Frequency
Society Society includes our local immediate communities, stakeholders in sustainable development and regulatory and government agencies.	One-to-one interviews (by independent parties)	Once every 3 years
	Focus groups discussion (by independent parties)	Once every 3 years
	Dialogue with religious dignitaries	Continuous
	Written and oral communications initiated by stakeholders	Continuous
	Company website	Online
	One-to-one interview	Once every 3 years

Feedback analysis

Expectations and issues identified during the stakeholder engagement were rated, assigned and prioritised to identify those most material to our stakeholders. When doing so, the likely level of stakeholder priority was assessed against the likelihood of the impact. Those concerns are shared with the Group Management Committee for due assessment.

Stakeholder Issues Prioritisation Matrix



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 and thus may only be reported in the corporate website.

1. Economic performance
2. Customer health and safety
3. Occupational health and safety
4. Compliance
5. Emissions, effluents and waste
6. Employee remuneration and benefits
7. Customer privacy
8. Local community development
9. Technical education for youth
10. Procurement practices for local suppliers
11. Mutually beneficial relationship with suppliers
12. Energy consumption
13. Employee training and education
14. Product and service labelling
15. Water consumption
16. Employee relations
17. Ethical marketing and communication
18. Materials consumption
19. Anti-corruption

Aspect boundary outside the organisation

Aspect boundary within the organisation

MATERIALITY ANALYSIS

GRI 102 - 44, 102 - 49

MATERIAL STAKEHOLDER ISSUES AND THEIR STATUS

Material matters identified through our stakeholder engagement process have been given due attention of the management and responses are established in the form of strategies or plans.

The effectiveness of those responses is closely monitored by the Sustainability Committee with respect to internal sustainability performance objectives, to ensure that we address them adequately and on a timely basis.

Our responses and the input from stakeholder engagement may alter the status of those material issues identified in the last financial year. The following table explains the shift in the status of those material matters, where applicable, and our responses, and provides a link to detailed discussions conducted either in the annual report or on our corporate website, and gives the status of the sustainability performance objectives.

Status of Material Aspects - 2017 vs 2018

	Material Aspect	Issues Raised by (stakeholder Group)	Status	Possible Reason for the Shift in Status	Our Response
1	Emissions, effluents and waste	Society Customer	✡	No significant change	Our Environment Management System which was upgraded to ISO 14001:2015 previous year, constantly works towards minimising emission levels and effluents. Continuous improvement in these areas is conducted and these are measured against the sustainability performance objective numbers 14 and 15. For more information refer pages 88 to 91 in the Natural Capital and Environmental Impact section.
2	Technical education for youth	Society Customer Supplier	✦	We have invested Rs. 10.5 million on technical education for youth during the year.	We increased our investments in technical education and expanded the number of opportunities provided to apprentices. For more information refer page 126 of the Social Impact Report.
3	Customer health and safety	Customer	✡	No significant change	Our ISO 9001 (2015) accredited Quality Management System ensures quality of products and services. We will continue to strictly comply with health and safety aspects relating to our product portfolio. For more information refer page 70 of the Customer Capital Management Report.
4	Employee training and education	Employee	✦	Average training hours per employee increased to 27.5 hours	Continuous training and development programmes conducted for employees improved this aspect. The achievement of Sustainability Performance Objective number 07 bears testimony to this improvement. For more information refer page 78 of the Human Capital Management Report.
5	Occupational health and safety	Employee	✡	No significant change	The Head of Stakeholder Interaction and Compliance is responsible for employee health and safety practices for the entire group. Employee health and safety is covered in the Group's Occupational Health and Safety Policy. For more information refer page 78 of the Human Capital Management Report.
6	Procurement practices for local suppliers	Local suppliers/ Subcontract workers Society	✡	No significant change	Local suppliers should abide by the Group's Supplier Code. Our success in this endeavour is measured using the sustainability performance objective number 09. Further, subcontractors are governed by the "Subcontractor Work Permit" scheme. For more information refer page 75 on Business Partner Relationship Capital.

GRI 102 - 44, 102 - 49

	Material Aspect	Issues Raised by (stakeholder Group)	Status	Possible Reason for the Shift in Status	Our Response
7	Water	Society Customer	Materiality of issues remains the same	No significant change	Procedures are in place in all the workshops to increase the level of water recycled/reused. Stringent waste water management systems are in place and the success of these systems is measured by Sustainability Performance Objective number 13. For more information refer page 120 of the Environmental Impact Report.
8	Ethical marketing communications	Customer	Materiality of issues increased	Due to the importance of marketing and communication relating to fertiliser and agro chemicals added to the portfolio during the year, materiality of the issue increased	We ensure strict compliance with regulations and codes concerning ethical marketing communication practices. This applies to new products and services introduced by the Group. For more information refer page 70 of the Customer Capital Management Report.
9	Mutually beneficial relationships with business partners	Suppliers	Materiality of issues remains the same	No significant change	Constant interactions and sharing of information continues. Reports to business partners will address business partners' expectations. For more information refer page 75 on Business Partner Relationship Capital.
10	Energy consumption	Society	Materiality of issues remains the same	No significant change	Energy saving measures are implemented across the organisation. Two major buildings are LEED certified green buildings (Gold Category). For more information refer page 120 of the Environmental Impact Report.
11	Employee benefits	Employee	Materiality of issues remains the same	No significant change	Annual wage survey revealed that DIMO remuneration levels are competitive compared to others in the industry.

Materiality of issues increased

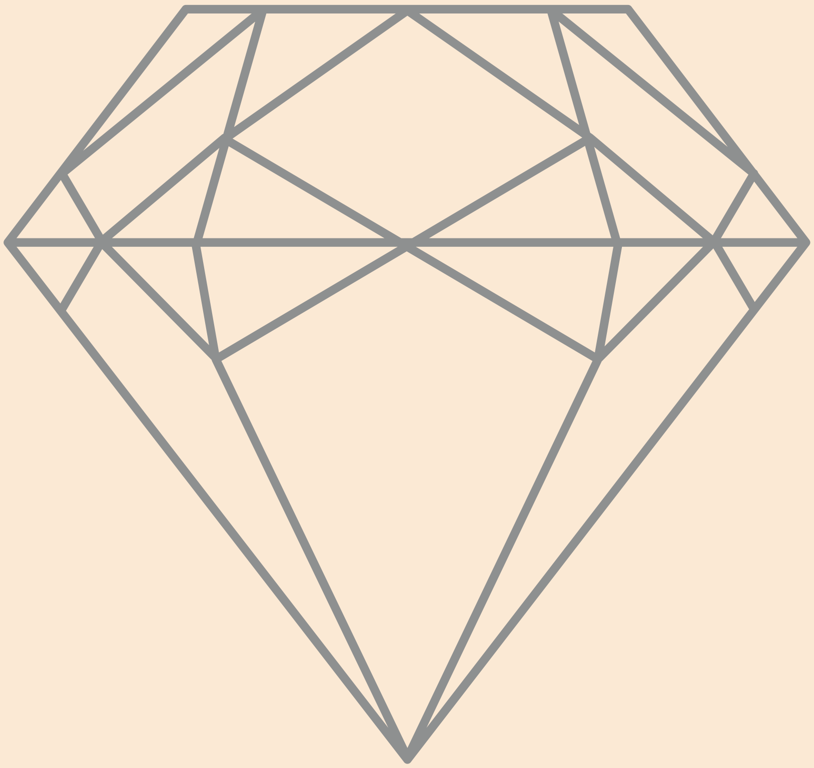
Materiality of issues decreased

Materiality of issues remains the same

New issue identified

SUSTAINABILITY PERFORMANCE OBJECTIVES 2017/18

Aspect	Term		Objective	Achievement			Remarks
				2017/18	2016/17	2015/16	
Monetised Capital	Long/ Short	01	ROE to be more than Annual AWDR+3%	Not Achieved	Not Achieved	Achieved	The AWDR+3% as at year end was 12%. The ROE for the period was 4.7%
Customer	Long	02	To ensure continuity of a customer-centric Quality Management System with suitable accreditation	Achieved	Achieved	Achieved	DIMO's Quality Management System is accredited ISO 9001:2015
	Short	03	Number of training hours for sales personnel to increase by 10% from previous year	Achieved	Achieved	Not Achieved	Training hours per sales personnel increased by 102% in 2017/18. Last year's training hours per sales personnel increased by 13%.
	Short	04	To achieve a Weighted Average Customer Satisfaction Index Score of more than 85%	Achieved	Achieved	Achieved	The Weighted Average Customer satisfaction index score was 88% in 2017/18 (90% in 2016/17)
	Short	05	Each branch to have a customer interaction event each quarter	Achieved	Achieved	Achieved	Each branch achieved the required number of customer interaction events
Employee	Short	06	To achieve an employee satisfaction index score of more than 60%	Achieved	Achieved	Achieved	For the year 2017/18, employee satisfaction index score was 66.30% (64.56% in 2016/17)
	Short	07	Average training hours per employee per year to be more than 20 hours	Achieved	Achieved	Achieved	Average training hours per employee was 28.59 hours in 2017/18 (21.34 in 2016/17)
	Long	08	To maintain a ratio of female to male employees (excluding workshops and field sales) of more than 15%	Achieved	Achieved	Achieved	The ratio is 18.30 % in 2017/18 which was 20.25% in the previous year
Business partners	Short	09	To obtain declarations from at least 50% of the current major local suppliers, that they will abide by the DIMO supplier code	Achieved	Achieved	Achieved	40 declarations obtained as at the year end 31-03-2018.
Society	Short	10	Invest at least 0.05% of turnover on community development activities	Achieved	Achieved	Achieved	During the year DIMO invested 0.20% of turnover on community development activities. This was 0.24% in 2016/17
	Long/ Short	11	The number of non-employees who are afforded training to be more than 5% of the number of employees	Achieved	Achieved	Achieved	The number of trainees enrolled as a percentage to the total number of employees was 24.95 % 2017/18 (27.65% in 2016/17)
	Short	12	100% compliance with Laws and Government regulations	Achieved	Achieved	Achieved	The Company's Code of Business Ethics require compliance with laws and regulations at all times. There were no non-compliances reported during the year
Environment	Long	13	To re-cycle and re-use at least 8% of the water used	Achieved	Achieved	Not Achieved	8.42% of water used was recycled and reused during the year (9.3% in 2016/17).
	Short	14	Waste segregated and handed over to selected third parties for recycling/reuse to be more than 90% of total solid waste	Achieved	Achieved	Achieved	The Company maintains waste collection agreements with 3rd party waste management companies who are approved by Central Environmental Authority. Waste managed by the above third parties exceeded the required percentage during the year.
	Short	15	Carbon Foot Print for every Rs.1.0 million of turnover to reduce by 5%	Not Achieved	Achieved	Achieved	Carbon footprint for every Rs.1 million of turnover in 2017/18 was 0.1769 tC02e. The corresponding figure for 2016/17 was 0.1713 tC02e
Economic	Long/ Short	16	Monetised value added to increase every year at a rate more than the rate of inflation +5%	Not Achieved	Achieved	Achieved	The Monetised value added descried by 0.5% (increased 17.8% in 2016/17)



CHANGE IS PRUDENT

ENTERPRISE GOVERNANCE

Our commitment to good governance remains strong. This section examines our responsibilities and practices in planning and implementing our strategic direction. Enterprise Governance includes the two important aspects of conformance and performance, as applied to the management of our value creation activities; including our capitals and impacts and across the value chain.

ENTERPRISE GOVERNANCE

Strong and ethical leadership is the foundation of DIMO's ability to create value. The role of stewardship bestowed upon the Board of Directors demands that the Board has in place the necessary mechanisms and processes required to deliver the value, outcomes and impacts expected by stakeholders. The model below depicts how this mandate is put into action by the Board.

The governing framework depicts the manner in which the Board is structured to ensure successful governance of the Group. Governing activities are broadly categorised into two aspects - conformance and performance. The conformance aspect ensures that DIMO is compliant with laws and regulations, transparent in its practices and ethical in its operations. Performance requires that the Board seeks feasible opportunities, formulates strategy, delivers value consistently and manages risk and impacts effectively. These activities are expected to deliver five outputs, as depicted in the diagram below. We believe that the achievement of these outputs will lead the Group towards its desired strategic outcomes.

How Governance Directs the Group Towards its Strategic Outcomes

Governing Framework

Board composition	Board committees	Management committees	Compliance framework	Assurance structure

Governing Activities

Performance

- Entrepreneurship
- Strategy formulation
- Management of value creation
  - Management of value chain
  - Management of capitals
  - Management of risk
  - Management of impacts

Conformance

- Mandatory compliance
- Voluntary adherence

Outputs of Governing Activities

Business opportunities are identified and pursued	The Group's direction is aligned with strategies	Compliance with applicable laws, regulations and governance practices	Cultivation and exhibition of ethical culture	Stakeholder interests are balanced

Value Created Through Enterprise Governance

Create value for shareholders	Superior brand reputation	Business Partner of Choice	Value to stakeholders	Responsible Corporate Citizen

GOVERNING FRAMEWORK

The Board of Directors bears overall responsibility for good governance, requisite transparency, stewardship and for accountability towards all stakeholders. The governing framework depicts the manner in which the Board of Directors has structured the governing body for better discharge of the responsibilities bestowed upon them. The framework includes Board composition, Board committees and Management committees, facilitated by a regulation framework and an assurance and certification process.

Governing Framework

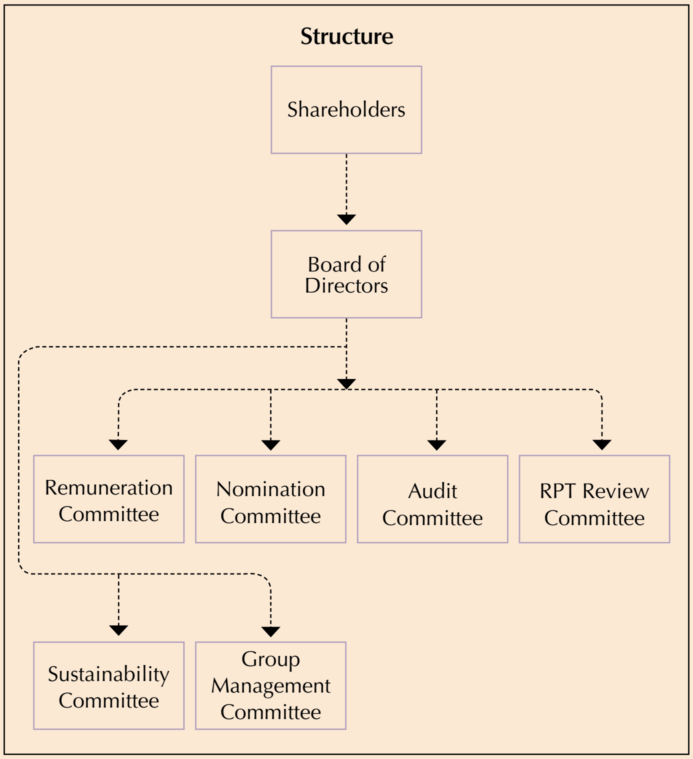
Compliance and Adherence

Mandatory compliance

1. Companies Act No. 07 of 2007
2. Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995
3. Other legislative enhancements affecting the Company
4. Listing Rules of Colombo Stock Exchange
5. Articles of Association
6. SEC regulations

Voluntary adherence

1. Code of Best Practices jointly issued by SEC and CA Sri Lanka
2. UNGC ten principles
3. Code of Business Ethics of DIMO
4. GRI Standards
5. Quality Management System
6. Environmental Management System
7. Internal Control System



Assurance

Assurance on the financial statements

Independent Audit

Assurance on non-monetised information

Independent review and assurance report

Internal audit

Review of systems, controls, processes and operations

Independent certifications

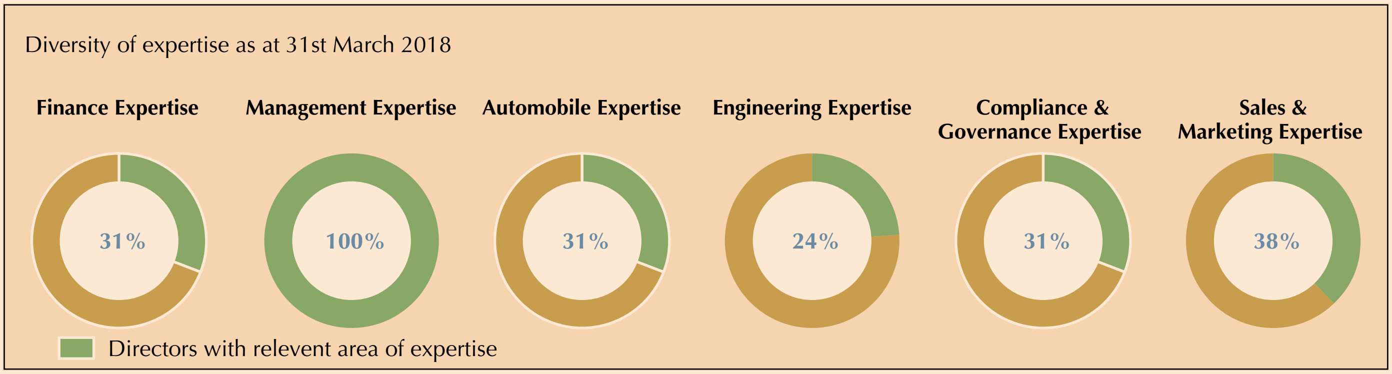
QMS audit and certification

EMS audit and certification

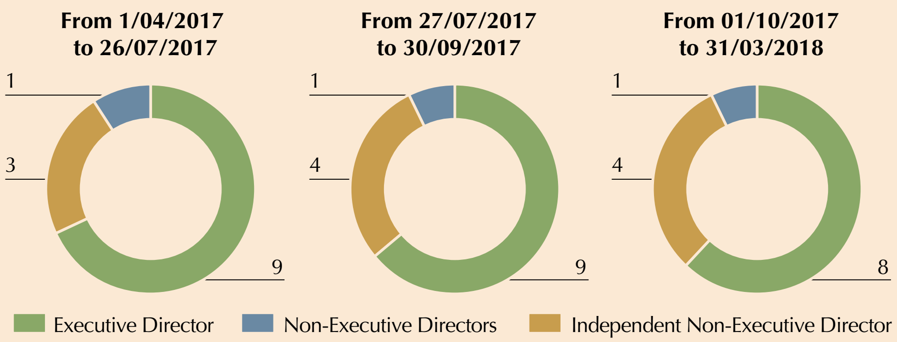
Board composition

The Board consisted of thirteen members from 1st April to 26th July 2017. Mr. A.N. Ranasinghe was appointed to the Board on 27th July 2017 and from this date to 30th September 2017, the Board consisted of fourteen members until Mr. R.C. Weerawardane retired on 30th September 2017. From1st October 2017 to 31st March 2018, the Board consisted of thirteen members.

Dashboard: Diversity and Independence of the Board of Directors



Independence



The Code of Best practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka in 2017 to which we voluntarily comply plays an important role in promoting good governance practices that are in line with international best practices

Skills, competencies and diversity of the Board of Directors

The Directors possess diverse skills and bring a wide range of expertise and competencies that facilitate the effective discharge of Board responsibilities. A brief profile of the members of the Board is given on pages 22 to 25. The Board enjoys the services of 04 qualified accountants who provide financial acumen and knowledge relating to matters of finance.

Board balance and its independence

All directors have a duty to act with independence of mind and in the best interests of the Company. This mandate is further enhanced by the presence of five Non-Executive Directors, of whom four are Independent Directors. The composition of the Board and number of Independent Directors meet the criteria relating to Board composition laid down by the listing rules of the Colombo Stock Exchange.

Independence of Non-Executive Directors

Rule No. 7.10.3 of the listing rules of the Colombo Stock Exchange requires that an explanation be provided in the event that a Director is considered an Independent Director after serving the Board continuously for a period of more than nine years. Mr. R Seevaratnam and Dr. H Cabral whose tenures as Directors have exceeded nine years, continue to be considered as Independent Directors. The required explanation is given on pages 140 to 143 in the Annual Report of the Board of Directors.

Chairman in an executive capacity

The Chairman, Mr. 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 existing arrangement has been economically beneficial to shareholders so as to not warrant any change, and that the dual role of Executive Chairman does not compromise the principles of good corporate governance. This is further ensured by the presence of the Independent Non-Executive Directors, including the Senior Independent Director. They ensure that no single individual has unfettered powers of decision making, permitting independent judgement over good governance and conducting of business in the best interest of stakeholders.

Senior Independent Director

Mr. R. Seevaratnam functions as the Senior Independent Director. The presence of the Senior Independent Director provides a workable mechanism to review the effectiveness of the Board, in view of the executive role played by the Chairman.

Performance evaluation of the Board

The Board evaluation process helps improve Board effectiveness and identifies areas for improvement. Board performance is appraised by the members of the Board, annually. The performance of the Chairman, who plays an executive role, is appraised by the Non-Executive Directors annually. More information on performance evaluation of the Board is disclosed on page 140 of Annual Report of the Board of Directors.

Directors' remuneration

The Directors' remuneration is disclosed on page 169.

Directors' shareholding

Information pertaining to Director's Shareholding is presented on page 169 of Annual Report of the Board of Directors.

Board Committees

The presence of Board Committees chaired by Independent Non-Executive Directors further strengthens good governance and serves as an effective oversight mechanism over the several activities of the Company.

Overview of Board Committees

Committee	Mandated/Recommended by;	Oversight areas	Where to find the composition and committee reports
Audit Committee	Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance	Risk and Controls Financial Statements Internal Audit External Audit Compliance	Pages 53 - 54
Remuneration Committee	Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance	Recommending the remuneration of Executive Directors. Approving the remuneration of members of the Group Management Committee	Page 55
Nomination Committee.	Code of Best Practice on Corporate Governance	Reviewing the structure and composition of the Board and making recommendations to the Board on all new Board appointments	Page 57
Related Party Transaction Review Committee	Listing Rules of the Colombo Stock Exchange	Assisting the Board in reviewing related party transactions carried out by the Company as per requirements of section 9 of Listing Rules of the Colombo Stock Exchange.	Page 56

Management Committees

The Group Management Committee (GMC) is a management committee appointed by the Board, entrusted with the execution of the performance and conformance aspects of Enterprise Governance. The GMC consists of Executive Directors and members of the senior management team. The composition of the Group Management Committee is available on pages 26 and 27.

The Sustainability Committee, which is a management committee consisting of members of the management team including Executive Directors, 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 sustainability objectives.

Compliance framework

The compliance and adherence section, depicted on the left of the governing framework, identifies the guidelines and systems to be followed by the Board, Board Committees, Management Committees and employees to ensure transparency and accountability, and to provide a strong platform for performance.

As per the framework, statutes, statutory documents and regulations are classified under the "mandatory compliance" category and the codes, best practices, management systems and control systems are classified under the "voluntary adherence" category. The level of compliance to these mandates is discussed under governance activities from page 48 to 51.

Code of Best Practices on Corporate Governance

The Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka to which we voluntarily comply plays an important role in promoting good governance practices that are in line with international best practices. The extent of compliance with the code is available on the Group's corporate website http://www.dimolanka.com/stewardship/ and forms a part of this report.

The extent of compliance with the code is available on the Group's corporate website http://www.dimolanka.com/stewardship/

Assurance structure

Assurance obtained for the Financial Statements and for non-financial information, Internal Audit and Independent Certifications are key sources of assurance and comfort available with regard to the integrity and the due functioning of the Governing framework. These sources of assurance and comfort are depicted in the Governing framework appearing on page 42.

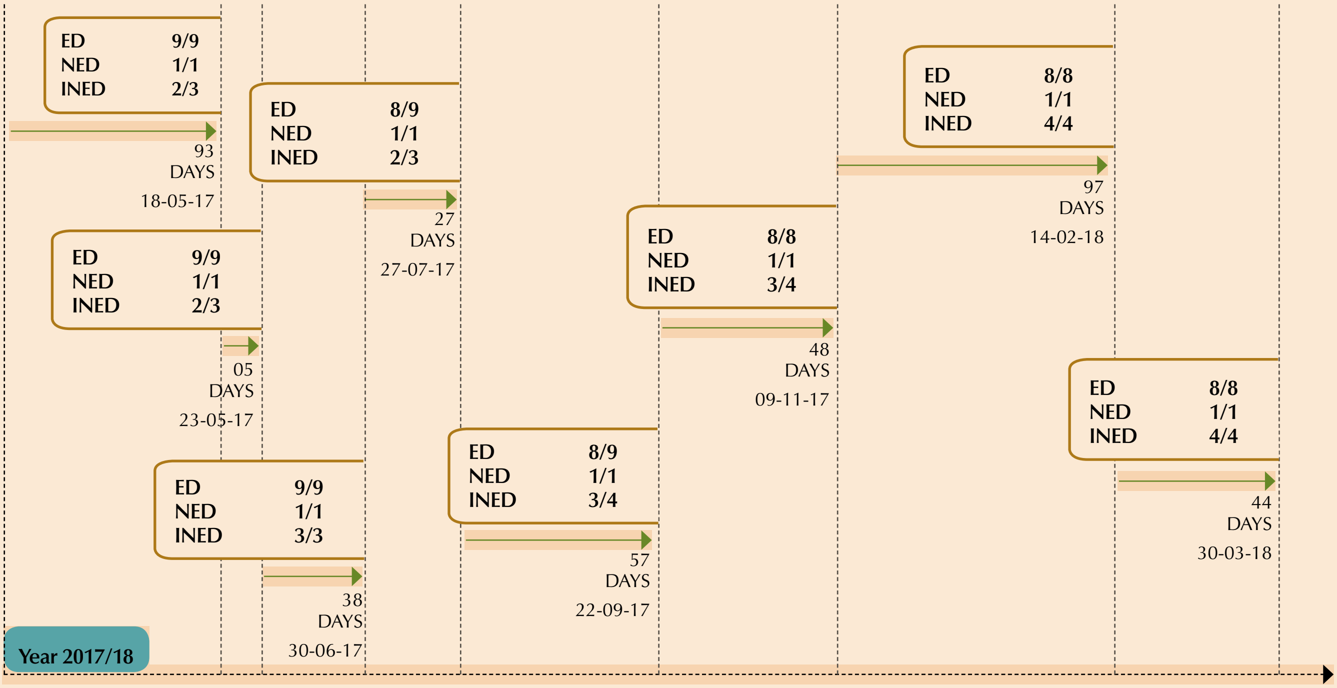
Independent assurance on the Financial Statements is provided by an independent auditor. The independent assurance obtained as at the year-end is supplemented by an interim audit carried out during the year.

The internal audit function is headed by the Group Chief Internal Auditor and field work is delegated to a firm of Chartered Accountants identified for the purpose by the Audit Committee.

Assurance/ certification on the quality management system, the environmental management system, social accountability management system and on the non-financial information presented in this report are obtained from an independent licensed assurance provider.

GOVERNING ACTIVITIES

Board Meetings held, gap between each meeting, number of Executive Directors, Independent Non-Executive Directors and Non-Executive Directors attended. The meetings held are given in the following diagram.



ED - Executive Director NED - Non-Executive Director INED - Independent Non-Executive Director

Attendance of Directors at Board meetings is one of the indicators of their active participation in decision making. The table below sets out details of the appointment and attendance at Board meetings.

Individual Directors Active Participation in Decision Making

Board Member	Date of appointment to the Board		Attendance at meetings	
	First	Re-election	Position	Attendance
A.R. Pandithage	Jun-77	Please Refer Note*	Chairman/Managing Director	8/8
R. Seevaratnam	Jan-07	Jun-17	Senior Independent Director	6/8
Dr. H. Cabral	Oct-06	Jun-17	Independent Non-Executive Director	6/8
A.M. Pandithage	Sep-82	Jun-15	Non-Executive Director	8/8
A.D.B. Talwatte	Jun-16	Jun-17	Independent Non-Executive Director	8/8
A.N. Algama	Nov-84	Jun-16	Executive Director	8/8
S.C. Algama	Nov-84	Jun-17	Executive Director	8/8
A.G. Pandithage	Dec-95	Jun-16	CEO /Director	8/8
B.C.S.A.P. Gooneratne	Apr-06	Jun-17	Director/Chief Financial Officer	8/8
R.C. Weerawardane**	Jun-02	Jun-16	Executive Director	3/4
M.V. Bandara	Jun-16	Jun-17	Executive Director	8/8
P.K.W. Mahendra	Jun-16	Jun-17	Executive Director	8/8
S.R.W.M.C. Ranawana	Jun-16	Jun-17	Executive Director	8/8
A.N. Ranasinghe	July-17	Please Refer Note***	Independent Non-Executive Director	3/4

* The Managing Director does not retire by rotation, as per articles.
** Ceased to be a Director with effect from 30th September 2017.
*** Mr. A. N. Ranasinghe was appointed to the Board with effect from 27th July 2017 and retires in terms of Article 71 of the Articles of Association of the Company and will be available for election at the forthcoming Annual General Meeting.

Performance

Entrepreneurship, strategy formulation and management of value creation form the performance aspect of governing activities. As depicted in the Group's value creation model on page 32, the four management activities that drive value creation are management of the value chain, capitals, impacts and risks.

Entrepreneurship

The Board's role in recognising, assessing and capitalising on attractive opportunities through innovation, leveraging risk, and engaging in effective competitive actions, is what ensures the Group's long term sustenance and success.

During the year under review, amongst the Board's key entrepreneurship activities were equity investments in two subsidiaries in Sri Lanka and another two subsidiaries outside the country. More information on these investments are presented in financial statements note number 4.12 presented on pages 179-183.

Integrated thinking

Integrated thinking is an approach adopted by the Board in ensuring successful entrepreneurship. For DIMO, integrated thinking means the active consideration of the relationships among the various operating and functional units and the capitals that we use or affect. It leads to integrated decision making and actions that consider the creation of value over the short, medium and long term.

Strategy formulation

The Board provides business leadership by ensuring the formulation and implementation of requisite strategies for the achievement of desired outcomes. The three facet corporate strategy formulated by the Board of Directors is presented on page 29.

Management of value creation

The Board identifies four management activities that create the Group's desired values namely; management of value chain, capitals, impacts and risks. Quarterly performance reviews are conducted to monitor the effectiveness of these activities and to allocate resources. The criticality of each capital to each value creation activity is depicted in the illustration given on page 31. Mapping this connectivity provides the basis for the effective utilisation of capitals and value creation management.

Value chain management activities

The management of value chains of the six business segments in which the Group operates is identified under the value chain management activities. More details of business segments, their value chains, performance and risk management are presented from 132–138 of value chain management report.

Capital management activities

The capitals provide the key ingredients for value creation and thus need to be carefully managed. The material capitals involved in the value creation process are monetised, relationship, human, intellectual and natural capital. An overview of the capitals and the management approach towards each, and the performance and impacts of the Company's activities on material capitals are discussed in the "Capitals Management Report", presented from pages 64 to 91.

Impact management activities

Value creation activities lead to economic, social and environmental impacts. The management of such impacts is imperative as the manner and the extent to which such impacts are managed will determine the level of corporate responsibility demonstrated by DIMO. While these impacts affect our stakeholders, they will also have a bearing on the reputation of DIMO. An overview of the management approach, initiatives and outcomes relating to impact management is given in the Impact Management Report from pages 112 to 130.

Stakeholder engagement

The stewardship role played by the Directors demands that they act responsibly towards stakeholders so that DIMO becomes a responsible corporate citizen. The stakeholder engagement process identifies material stakeholder issues that must be addressed in our journey towards being a better corporate citizen. The manner in which this mandate is brought in to practice is disclosed from page 34 to 39 of the Stakeholder Engagement Section.

Risk management activities

The risk associated with the value creation activities of DIMO in the short, medium and the long term has to be prudently managed. Risks associated with capitals, business segments and impacts are monitored and managed. The Corporate Risk Management Report presented on pages 132 to 138 provides details of the Group's risk profile and the manner in which those are managed.

Conformance

Conformance is the bed rock upon which the performance dimension of enterprise governance is built. It provides the foundation for a robust organisational structure, a compliant work ethic and for decision making based on responsible corporate behaviour, which are the pre-requisites for performance. Conformance requires a high level of commitment across the organisation and all employees are required to respect conformance in achieving their own objectives and those of the Company.

Driving better performance through conformance - Point of reference

The main purpose of all conformance activities is to ensure that conformance as envisioned by the Board is practiced and the desired results are achieved. The following table provides the links between value creation management and key conformance aspects that facilitate the successful execution of value creation management. The points of reference refer to the mechanism in place to regulate or achieve the respective aspect of conformance. In order to ascertain the status or effectiveness of the point of reference, please read the subsections named "mandatory compliance" and "voluntary compliance" from page 50 to 51.

Conformance Aspects and Points of Reference

Management Activity	Aspects Related to Management Activities	Key Conformance Aspect	Point of Reference
Capital Management Activities	Monetised capital	Internal control	Audit Committee
		Internal audit	Audit Committee
		Uncertainty management	Risk Management Framework
		Assurance	Audit Committee
			Independent Auditors
	Customers	Ethical marketing	Quality Management System
		Customer health and safety	Quality Management System
		Customer privacy	Quality Management System
	Employees	Employee safety	Quality Management System and Social Accountability Management System.
			UN Global Compact Principles Social Accountability Management System.
		Employee rights	Code of Business Ethics Social Accountability Management System.
		Equal opportunities	UN Global Compact Principles Social Accountability Management System.
		Reducing gender inequality	Sustainability Objectives Social Accountability Management System.
		Compliance with legislation and regulations relating to employees	Code of Business Ethics Social Accountability Management System.
	Business partners	Compliance with principals' requirements of ethical practices	Quality Management System
		Honouring agreements with principals	Quality Management System
	Intellectual capital	Data security and integrity	Quality Management System
		Meeting the requirements of the legislative enactments applicable to the Group	Code of Business Ethics
		Enhance and preserving the reputation of the Company by following best practices relating to good governance and sustainability	Code of Best Practice on Corporate Governance jointly issued by SEC and ICASL
			CSE Listing Rules
			Articles of Association
			GRI Standards
	Natural capital	Complying with all requirements of the Environment Management System	Environmental Management System
		Meeting legal and regulatory requirements regarding the environment	Environmental Management System
			UN Global Compact Principles
			Code of Business Ethics

Management Activity	Aspects Related to Management Activities	Key Conformance Aspect	Point of Reference
Impact Management Activities	Society	Anti-corruption	Code of Business Ethics
		Responsible corporate behaviour	UN Global Compact Principles
	Economy	Ensuring that all taxes are paid correctly and on time	Legislative enactments appropriate to the Group
	Environment	Complying with all requirements of the Environment Management System	Environmental Management System
		Meeting legal and regulatory requirements regarding the environment	Environmental Management System
			UN Global Compact Principles
			Code of Business Ethics
Value Creation Management Activities.	Value Chain of six business segments	Meeting regulatory standards with regard to product and services	Quality Management System
		Meeting regulatory standards and business ethics in performing supply chain activities	Code of Business Ethics
		Product responsibility	Quality Management System
Risk Management Activities	Management of Risks at corporate level	Risk Identification, evaluation and management	Audit Committee
			Internal Controls
			Internal and External Audits

Mandatory compliance

The Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 are two key legislative enactments with which the Company is compliant, among many others.. The Company is also compliant with the regulations issued by the Securities and Exchange Commission and the Listing Rules of the Colombo Stock Exchange.

Compliance tracker - Companies Act No. 07 of 2007

The tables given below provide the required and applicable details, disclosures or cross references to details/disclosures mandated by the Companies Act No. 07 of 2007.

Disclosures Required by the Companies Act No. 07 of 2007

Section Reference	Requirement	Annual Report Reference (Page)
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	158
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	147-205
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	148-151
168 (1) (d)	Accounting Policies and any changes therein	147-205
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	144
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	169
168 (1) (g)	Corporate donations made by the Company during the accounting period	169
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	19
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	169
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	142
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	140-143

Statements of responsibility

The Statement of Directors' Responsibility for Financial Statements as required by the Companies Act No. 07 of 2007 and the Responsibility Statement of the Chairman, Chief Executive Officer and Chief Financial Officer required by Circular number 09 of 2008 issued by Securities and Exchange Commission, are available on page 146.

Compliance Tracker - Listing Rules of the Colombo Stock Exchange

The table given below provides the level of compliance with the Section 7.10 of Listing Rules of the Colombo Stock Exchange, pertaining to Corporate Governance.

Disclosures Required by the Listing Rules of the Colombo Stock Exchange

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1.(a)	Non-Executive Directors	At least two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	Four out of thirteen Directors were Non-Executive Directors up to 26th July 2017. Five out of fourteen Directors were Non-Executive Directors from 27th July 2017 to 30th September 2017. Five out of thirteen Directors were Non-Executive Directors from 1st October 2017 to 31st March 2018
7.10.2.(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Compliant	Three out of four Non-Executive Directors were independent up to 26th July 2017. Four out of five Non-Executive Directors were independent from 27th July 2017 to 31st March 2018
7.10.2.(b)	Independence of Directors	Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Compliant	The Non-Executive Directors have submitted the declarations in the prescribed format
7.10.3.(a)	Disclosures relating to Directors	The names of Independent Directors should be disclosed in the Annual Report	Compliant	The names of Independent Directors are disclosed in the Board profile presented on page 22 and 25
7.10.3.(b)	Independence of Directors	The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Compliant	The Board has made such determination and the basis for determination of "Independence" is explained in the Annual Report of the Board of Directors. Please refer pages 140 and 143
7.10.3.(c)	Disclosures relating to Directors	A brief resume of each Director should be included in the Annual Report including his/her area of expertise	Compliant	A brief profile of each director is available in the Board profile presented on page 22 and 25
7.10.3.(d)	Appointment of new Directors	Provide a brief resume of any new Director appointed to the Board	Compliant	A brief profile of the new director appointed is presented in the Board profile on page 22 and 25
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Names of the members of the Remuneration Committee are available on page 55
7.10.5.(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Compliant	Composition of the Remuneration Committee is available in the Remuneration Committee report presented on page 55
7.10.5.(b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	The manner in which the remuneration committee discharged its responsibilities is set out in the Remuneration Committee Report presented on page 55
7.10.5.(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out; a) Names of the Directors comprising the Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 55
		b) Statement of Remuneration policy	Compliant	Please refer the Remuneration Committee Report on page 55
		c) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer the Remuneration Committee Report on page 55

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are available on pages 53-54
7.10.6.(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent	Compliant	Composition of the Audit Committee is available in the Remuneration Committee report presented on pages 53-54
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	The Chairman of the Audit Committee is a member of The Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants UK
7.10.6.(b)	Functions of Audit Committee	Should be as outlined in the Section 7.10 of the Listing Rules	Compliant	The terms of reference of the Audit Committee were adopted by the Board on 20th June 2007 and last reviewed on 24th May 2016, and cover the areas outlined
7.10.6.(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of the Directors comprising the Audit Committee	Compliant	Please refer the Audit Committee Report on pages 53-54
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer the Audit Committee Report on pages 53-54
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Compliant	Please refer the Audit Committee Report on pages 53-54

Disclosures specified by section 7.4 and 7.5 of the listing rules of the Colombo Stock Exchange

The Interim Financial Statements have been submitted to the Colombo Stock Exchange within forty five (45) days for the first three quarters and with in two (2) months for the last quarter from the end of the relevant quarter. The Audited Financial Statements for the year ended 31st March 2018 and the Audited Balance Sheets at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

Disclosures specified by section 7.6 of the listing rules of the Colombo Stock Exchange

All disclosures specified by Section 7.6 of Listing Rules of the Colombo Stock Exchange are contained in this Annual Report.

There is no evidence of the book value being substantially different from the market value of land and other fixed assets of the Company or its subsidiaries.

Disclosures specified by section 9.3.2 of the listing rules of the Colombo Stock Exchange

Disclosures specified by section 9.3.2 of Listing Rules of the Colombo Stock Exchange are contained in this Annual Report. Please refer page 56 for the Related Party Transaction Review Committee Report.

Voluntary compliance

Voluntary adherence strengthens the conformance aspect of Enterprise Governance and allows the Company to venture beyond mandatory compliance, which the Company considers the "base" for conformance. Voluntary adherence expands conformance practices to different areas of the business, promoting responsible corporate behaviour, strengthening operations, addressing the expectations of various stakeholder groups and eventually supporting sustained performance. The table on the next page identifies each mandate with which we voluntarily comply, the aspect of regulation and their status of compliance during the year.

Level of Compliance and Adherence

Voluntary Compliance	Aspect of Regulation	Status
The Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (The Code)	Best Practices of Corporate Governance relating to but not limited to the Board, the Directors, the Chairman and the financial acumen of the Board, Board meetings, Board balance, the supply of information to the Board, appointment and re-election of Directors, Appraisal of Board performance, information relating to Directors, appraisal of the Chief Executive's performance, remuneration of Directors and disclosures, Remuneration Committee, Audit Committee, shareholder/investor relations and communications, major and material transactions, financial reporting, internal control, code of business conduct & ethics, disclosures and sustainability reporting are covered in the Company's response to its adherence.	All requirements of the code and the compliance level are available on Company's website at www.dimolanka.com/stewardship/ and forms a part of this Enterprise Governance Section.
Code of Business Ethics	Compliance requirements applicable to all employees	All employees sign declarations to the effect that all requirements in the Code will be complied with
GRI Standards on Sustainability Reporting	To report on sustainability related performance in a complete generally accepted manner as specified by GRI Standards	Complied. The GRI content index is available on pages 209 to 214. The Report on the Independent Assurance obtained on Non-Financial Reporting is available from pages 215 to 217
Environment Management System (EMS)	Meet the requirements of the Group's Environmental Management System accredited by the ISO 14001:2015 Standard	Complied. The Group's Environmental Management System is certified with ISO 14001:2015 with certification provided by Det Norske Veritas AS (DNV)
Quality Management System (QMS)	Meet the requirements of the Group's Quality Management System accredited by the ISO 9001:2015 Standard	Complied. The Group's QMS is certified with ISO 9001: 2015, with certification provided by Det Norske Veritas AS (DNV)
UN Global Compact Ten Principles	To comply with the requirements of the declaration made on the UN Global Compact Ten Principles covering Human Rights, Labour, Environment and Anti - Corruption and also to participate in pursuing sustainable development goals	Communication on progress is available online at www.dimolanka.com/sustainability/sustainability performance
Social Accountability Management System.	Meet the requirements of the Group's Social Accountability Management System accredited by the SA 8000:2014 Standard	Complied. The Group's Social Accountability Management System is Certified with SA 8000:2014, with certification provided by SGS Italia S.P.A
Internal Control System	Maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets.	The Board of Directors' statement on internal controls, as required by section D.1.4 of the Code of Best Practice on Corporate Governance jointly issued by The Institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission, appears on page 145

SENIOR INDEPENDENT DIRECTOR'S STATEMENT

The 'Code of Best Practice on Corporate Governance 2017' (The Code) issued jointly by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka recommends that a Senior Independent Director (SID) should be appointed in the event of the Chairman and CEO is the same person. 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, my role as 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 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 making a positive impact on value creation.

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

R. Seevaratnam
Senior Independent Director

Colombo
30th May 2018

COMMITTEE REPORTS

Report of the Audit Committee

Mr. A.D.B. Talwatte
Chairman - Audit Committee

Dear shareholder,

I am pleased to present the report of the Audit Committee for the year ended 31st March 2018. Through this report I will share with you as to how the Audit Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

The Committee is established to assist the Board in fulfilling its oversight responsibility for the Company's' financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of Independence and External Auditors' performance, with a view to safeguarding the interests of the shareholders and all other stakeholders.

TERMS OF REFERENCE

The Audit Committee has written terms of reference, dealing with its authority and duties, which is carefully designed to discharge the Committee's purpose and duties and responsibilities of the Committee.

KEY AREAS COVERED DURING THE YEAR

The Audit Committee held five meeting during the financial year. The table given below gives an indication of key areas covered during the meeting.

Meeting Held on	Key areas covered
MAY 18	1 2 3 4 5
JUL 25	1 2 3 4 5
OCT 28	1 2 3 5
FEB 14	1 2 3 4 5
MAR 13	1 3 5

1 Risk and Controls
2 Financial Statements
3 Internal Audit
4 External Audit
5 Compliance

FINANCIAL REPORTING

The Audit Committee reviewed the quarterly and annual Financial Statements prior to its publication.

The review included:

- Appropriateness and changes in Accounting Policies.
- Significant estimates and judgement made by the management.
- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Issues arising from the Internal Audit and Independent External Audit.
- The Group's/Company's ability to continue as a going concern.
- Statements and Reports include in the Annual Report.

INTERNAL AUDIT

The Internal Audit function is headed by the Group Chief Internal Auditor and the fieldwork and reporting is outsourced to Messrs Ernst & Young, a firm of Chartered Accountants. Internal Auditors submitted their findings to the Audit Committee quarterly and their reports are made available to Independent External Auditors.

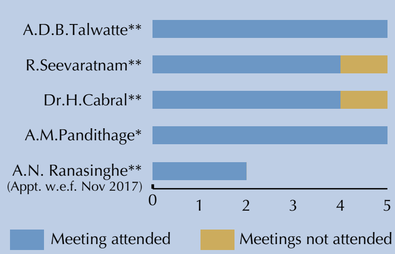
The Audit Committee monitors and reviews:

- The internal audit plan
- The coverage of the audit plan.

MEMBERS AND MEETINGS

The Committee as at 31st March comprised of Mr. A.D.B. Talwatte (Chairman), Mr. R. Seevaratnam, Dr. H. Cabral, Mr. A.M. Pandithage and Mr. A.N. Ranasinghe. Mr. A.N. Ranasinghe was appointed to the Committee on 09th November 2017. The Committee's composition met the requirements of the rule 7.10.6 of Listing Rules of the Colombo Stock Exchange.

Audit Committee



Category	Number of Directors
Independent Non-Executive Director	04
Non-Executive Director	01

*Non-Executive Director
**Independent Non-Executive Director

The Chairman of the Board of Directors, who is an Executive Director, Director/ Group Chief Executive Officer and Director/ Chief Financial Officer together with the Executive Directors in charge of businesses attended Audit Committee meetings by invitation.

Report of the Audit Committee

- The internal audit programmes and results of the internal audit process.
- The follow-up action taken on the recommendation of the Internal Auditors.
- Review performance of the Group Chief internal auditor and concur with the annual compensation
- The effectiveness of the internal audit function.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee reviewed and assessed the internal control environment and areas of significant risks. Risks related to the management of capitals, value chain and impacts are discussed under each section presented on pages 64 – 91, 92 – 111 and 112 – 131 respectively. Key Risks that exceed the Group's risk appetite are discussed in the corporate risk management report presented from pages 132 to 138.

The Committee is satisfied that an effective system of internal control is in place to provide reasonable assurance on safeguarding the Company's assets and reliability of Financial Statements. Effectiveness of the Company's system of internal controls is evaluated through reports provided by the management, Internal Auditors and Independent External Auditors.

EXTERNAL AUDIT

The Audit Committee reviewed the independence and objectivity of the Independent External Auditors, Messrs KPMG, Chartered Accountants. The Audit Committee has met with the External Auditors to review their audit plan and any observations made by them.

The Committee has received a declaration from the External Auditors, confirming that they do not have any relationship or interest in the Company or its subsidiaries.

The Committee reviewed the non-audit services and its impact on the independence of the External Auditors.

The current auditors, Messrs KPMG, was initially appointed as the external auditors of the Company, and continue to hold that position at present. A partner rotation of the auditor took place in the year 2017.

The Audit 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.

COMPLIANCE

The Audit Committee reviewed the reports submitted by the management and the Internal Auditors on compliance with applicable laws and regulations. The Committee is satisfied that laws and regulations are duly complied with and statutory payments have been made on a timely basis.

The orientation programme of new employees includes a training on compliance with the code of business ethics of the Group.

WHISTLE BLOWING

Employees can raise any concerns with the Chief Human Resources Officer, Group Chief Internal Auditor, Chief Executive Officer or the Chairman/Managing Director. Senior Independent Director is available to any member of the Board to discuss in confidence any matter concerning the Board.

The Committee reviewed the appropriateness of the Company's whistle blowing policy to ensure the Company's arrangement for confidentiality of information and their sources.

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of the Committee was conducted by the Board during the year and the outcome of the evaluation is given on page 141 in the Annual Report of the Board of Directors.

CONCLUSION

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of 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 the Group assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Company and its subsidiaries are able to continue as a going concern.

A.D.B. Talwatte
Chairman - Audit Committee

Colombo
30th May 2018

Report of the Remuneration Committee

Dr. H. Cabral
Chairman - Remuneration Committee

Dear shareholder,

I am pleased to present the report of the Remuneration Committee for the year ended 31st March 2018. Through this report I will share with you as to how the Remuneration Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

The Committee was established for the purpose of recommending the remuneration of the Chairman/Managing Director, Chief Executive Officer (CEO) and the Executive Directors. The Committee also approves the remuneration of the members of the Group Management Committee on the recommendations made by the Chairman/ Managing Director and the Chief Executive Officer.

TERMS OF REFERENCE

The Committee operates within agreed terms of reference and is committed to ensuring that remuneration arrangements align reward with performance.

The proposals relating to remuneration of Executive Directors and the members of the Group Management Committee were arrived at in consultation with the Chairman/ Managing Director and the Chief Executive Officer. No Director is involved in deciding his own remuneration.

REMUNERATION POLICY

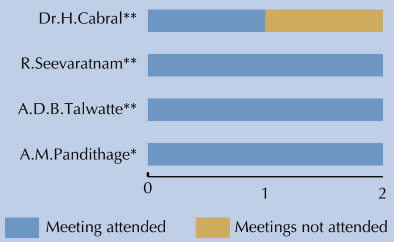
The remuneration policy is designed to reward, motivate and retain the Company's executive team, with market competitive remuneration and benefits, to support the continued success of the business and creation of shareholder value. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards.

The remuneration packages which are linked to individual performances are aligned with the Company's short-term and long-term strategy. The Committee makes every endeavour to maintain remuneration levels that are sufficient to attract and retain Executive Directors and the members of the senior management team.

MEMBERS AND MEETINGS

The Committee as at 31st March 2018, comprised of Dr. H. Cabral (Chairman), Mr. R. Seevaratnam, Mr. A. D. B. Talwatte and Mr. A. M. Pandithage. The Committee's composition met the requirements of the rule 7.10.5 of Listing Rules of the Colombo Stock Exchange.

Remuneration Committee



Category	Number of Directors
Independent Non-Executive Director	03
Non-Executive Director	01

*Non-Executive Director
**Independent Non-Executive Director

All Non-Executive Directors receive a fee for serving on the Board and serving on Board committees. They do not receive any performance related incentive payments.

The Company does not have an employee share scheme for members of the Board, who are considered as Key Management Personnel (KMP).

KEY AREAS COVERED DURING THE YEAR

The Committee held two meeting during the financial year. The table given below gives an indication of key areas covered during the meeting.

Meeting Held on	Key areas covered
APR 24	1
JUN 28	2

1 Remuneration of Chairman/ Managing Director, CEO, other Executive Directors and members of the Senior Management Team

2 Incentives to personnel stated in 1 above

DIRECTORS' EMOLUMENTS

The Directors' emoluments are disclosed in Note 4.5 on page 169.

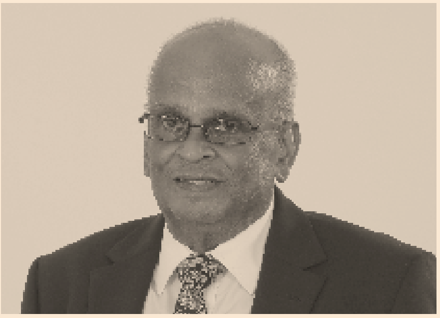
EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of the Committee was carried out by the Board during the year and the outcome of the evaluation is given on page 141 in the Annual Report of the Board of Directors.

Dr. H. Cabral
Chairman - Remuneration Committee

Colombo
30th May 2018

Report of Related Party Transactions Review Committee



Mr. R. Seevaratnam
Chairman - Related Party Transactions Review Committee

Dear shareholder,

I am pleased to present the report of the Related Party Transactions Review Committee for the year ended 31st March 2018. Through this report I will share with you as to how the Related Party Transactions Review Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

The Committee assists the Board in reviewing all related party transactions carried out by the Company. The Committee also performs the oversight function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

POLICIES AND PROCEDURES

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, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

TERMS OF REFERENCE

The Related Party Transactions Review Committee has terms of reference, dealing with its authority and duties. The terms of reference covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange.

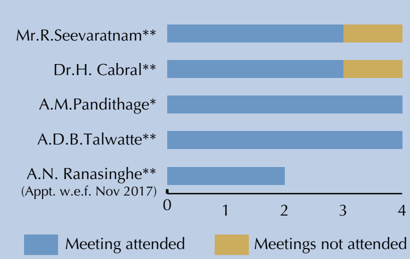
Terms of reference of the Committee include the following:

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.
- To recommend the creation of a special committee to review and approve the proposed Related Party Transaction, in the event of any potential conflict of interest.
- Establishing guidelines to be followed by senior management in the event Related Party Transactions are ongoing. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships and transactions with the related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

MEMBERS AND MEETINGS

The Committee, as at 31st March 2018, comprised of Mr. R. Seevaratnam (Chairman), Dr. H. Cabral, Mr. A. M. Pandithage, Mr. A. D. B. Talwatte and Mr. A. N. Ranasinghe. Mr. A. N. Ranasinghe was appointed to the Committee on 09th November 2017. The composition of the Committee met the requirements of the rule 9.2.2 of Listing Rules of the Colombo Stock Exchange.

Related Party Transaction Review Committee



Category	Number of Directors
Independent Non-Executive Director	04
Non-Executive Director	01

*Non-Executive Director
**Independent Non-Executive Director

RELATED PARTY TRANSACTIONS DURING THE YEAR

The activities and observations of the Committee are communicated to the Board. 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 is disclosed in Note 5.1 to the Financial Statements.

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of the Committee was conducted by the Board during the year and the outcome of the evaluation is given on page 141 in the Annual Report of the Board of Directors.

DECLARATION

A declaration by the Board of Directors in the Annual Report 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 into by the Company during the year, is given in the Annual Report of the Board of Directors on page 141 to 142. All other related party transactions that could be classified as related party transactions in terms of LKAS 24-'Related Party Disclosures', are given in Note 5.1 to the Financial Statements.

R. Seevaratnam

R. Seevaratnam
Chairman - Related Party Transactions Review Committee

Colombo
30th May 2018

Report of the Nomination Committee

Dr. H. Cabral
Chairman - Nomination Committee

Dear shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31st March 2018. Through this report I will share with you as to how the Nomination Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

The Committee is established to review the structure and composition of the Board and make recommendations to the Board on all new Board appointments. To ensure that the Board possesses the correct mix of expertise for its effective functioning, the Committee assesses the Board composition to ascertain whether the combined knowledge, skills mix and experience of the Board matches the strategic demands facing the Company.

TERMS OF REFERENCE AND KEY ACTIVITIES

The terms of reference of the Nomination Committee include the following:

- Review the structure, size, composition and competencies of the Board.
- Evaluate the independence of the Non-Executive Directors and effectiveness of the Board of Directors.
- Review the process for succession planning to ensure that the Board has the correct balance of individuals to discharge its duties effectively.
- During the year, the Committee was briefed on succession planning issues relating to Executive Directors and Group Corporate Management roles and satisfied itself that action plans are in place to manage succession.

The Committee has acted within the parameters set by its terms of reference.

During the year, the Committee recommended that one Independent Non-Executive Director be appointed to the Board. The details of the appointments are available in Annual Report of the Board of Directors on page 140.

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of the Committee was conducted by the Board during the year and the outcome of the evaluation is given on page 141 in the Annual Report of the Board of Directors.

CONCLUSION

The Committee is satisfied that the combined knowledge and experience of the Board matches the demands facing the Company.

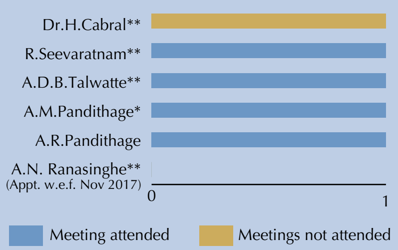
Dr. H. Cabral
Chairman - Nomination Committee

Colombo
30th May 2018

MEMBERS AND MEETINGS

The Committee, as at 31st March 2018, comprised of Dr. H. Cabral (Chairman), Mr. A. R. Pandithage, Mr. A. M. Pandithage, Mr. R. Seevaratnam, Mr. A. D. B. Talwatte and Mr. A. N. Ranasinghe. Mr. A.N. Ranasinghe was appointed to the Committee on 09th November 2017.

Nomination Committee



Category	Number of Directors
Independent Non-Executive Director	03
Non-Executive Director	01
The Chairman/ Managing Director	01

*Non-Executive Director
**Independent Non-Executive Director

RESPONSIBILITY STATEMENT OF CHAIRMAN/MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The Consolidated Financial Statements are prepared in accordance with the requirements of the followings:

- 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
- Any other applicable statutes.

The accounting policies used in preparation of the Consolidated Financial Statements are appropriate and consistently applied, except 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 involved 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 in 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 in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Internal Auditors from Messrs Ernst & Young have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were 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, and the Independent External Auditors.

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 are performing 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.

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
30th May 2018

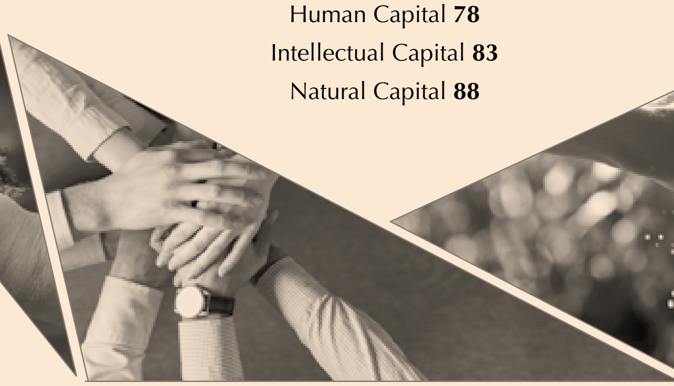
CHANGE IS POSITIVE

VALUE CREATION

Value creation is ultimately the primary purpose of our operations and thus, it is always a very important section of our report. We start by analysing the capitals that provide inputs. We then evaluate the business segment performance and the economic, social and environmental impacts of our value creation activities, outlining the value we have created for our stakeholders. We end the section with a description of our Risk Management framework and policies.

MANAGEMENT OF CAPITALS

This section looks closely at DIMO's capitals analysing their quality and availability and discussing what we have done to build and transform them in order to create sustainable value.



INTRODUCTION TO CAPITAL MANAGEMENT

MANAGEMENT OF CAPITALS

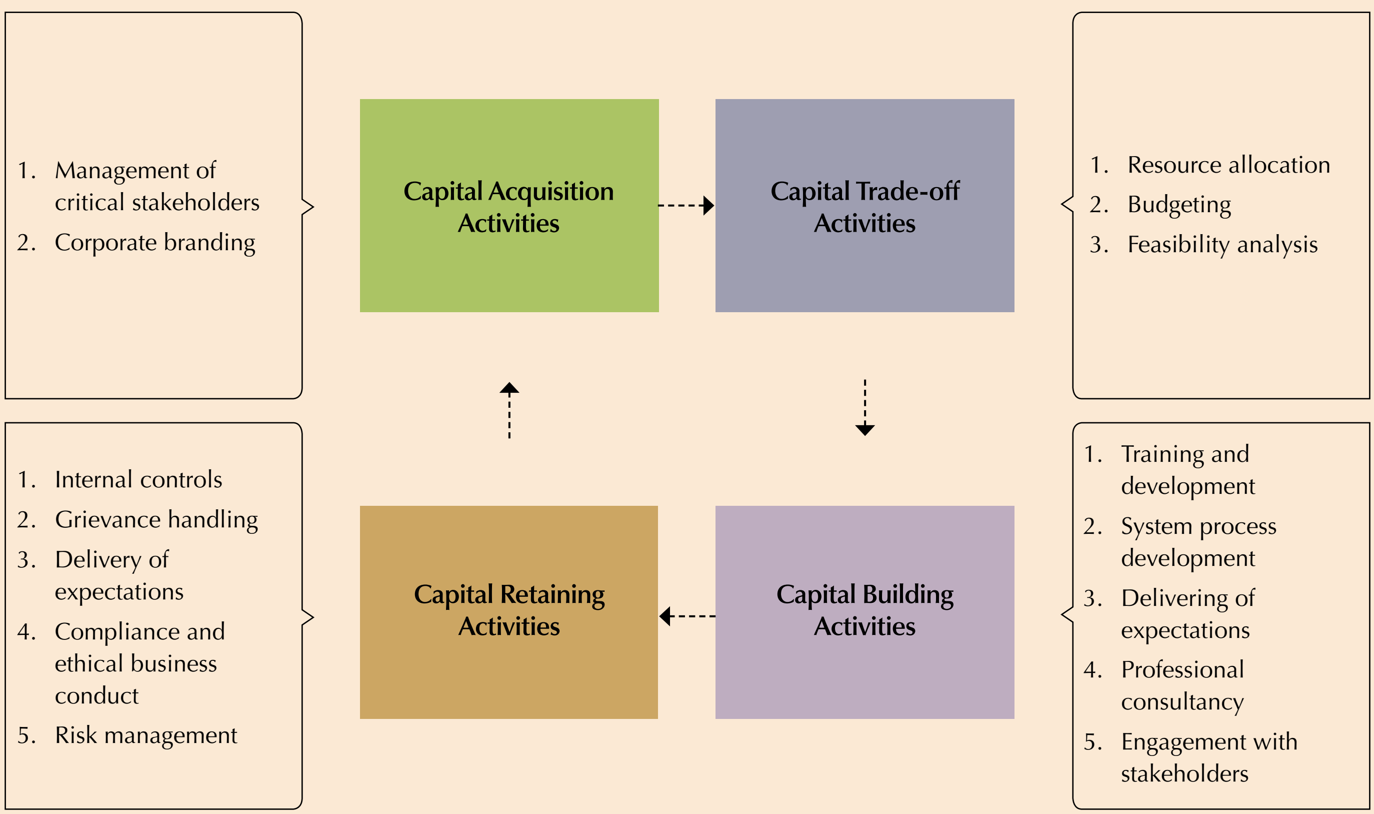
Capitals are the stores of value that provide the key ingredients for value creation. The quality, availability and affordability of these capitals have a significant impact on DIMO's ability to create value in the short, medium and long term. Their careful management is a prerequisite for the Group's success and sustenance.

The Group's stores of capitals include monetised, relationship, human, intellectual and natural capital. We focus on the efficient and productive management of our capitals and processes, for therein lies the key to the efficient and continuous delivery of rising value.

There are four activities that lie at the heart of Group's capital management; capital acquisition, capital trade-offs, capital building and capital retention. The diagram presented below provides an overview of each capital management activity. The management of those activities, and other management activities relating to value creation; value chain management, impact management and risk management, are the key elements that drive continuous delivery of stakeholder value.

The relationship we maintain with key stakeholders is a key determinant in securing capitals for the Group in the medium to long term. We ensure that these relationships come to no harm through the continuous engagement with critical stakeholders, impact management process and the Group's risk management process.

Aspects of Capital Management



CAPITAL MANAGEMENT AT A GLANCE

Capital	Capital inputs	Key Capital Management Activities
Monetised Capital (P 64- 69)	**As at 1st April 2017** • Equity Rs 10,165 mn • Long term borrowings Rs. 590 mn • Cash and cash equivalents Rs. 282 mn • Property plant and equipment Rs 8,299 mn • Net asset per share Rs. 1,145 • Inventory Rs. 8,942 mn	• Maintaining finance facilities with 9 banks. Unutilised banking facilities as at 31st March 2018 is Rs. 4,060 mn • Capital expenditure for the year amounted to Rs.450 mn • Equity investment in other entities during the year was Rs. 442 mn
Relationship Capital Customers (P 70 – 74) Business Partners (P 75 - 77)	**Customer composition** • Individual customers 72% • Government organisations 7% • Small & large private organisations 18% **Business partner composition** • 90 foreign business partner relationships • 7 business partners featured in fortune 500 list • 22 business partners with more than 20 years relationships	• Customer engagements via 219 customer surveys. • Reaching customers via 30 branches, 10 display points and 17 customer contact points • The 24/7 available call centre • Reaching 7,739 customers via signature customer engagement programmes • Over 45,000 average monthly Facebook engagements • Independent surveys evaluating business partner expectations once in every three years
Human Capital (P 78- 82)	• 1,850 employees as at the year-end including 119 employees of subsidiaries acquired during the year • 717 employees with academic and professional qualifications • 119 employees identified as high potentials in the leadership pipeline • 183 females employees that brings in diversity	• SA 8000:2014 accredited labour practices • 49,486 training hours through 289 training programmes • 17 high potentials undergoing executive leadership training programmes in leading international business schools. • 10 HR clinics that engage employees face to face • 293 new employees hired • Annual employee engagement survey and annual employee satisfaction survey
Intellectual Capital (P 83- 87)	• 706 employees with more than 5 years of accumulated knowledge • ISO 9001:2015 accredited quality management system, featuring excellent and consistent processes • Over 79 years of accrued brand reputation	• 12 “know how” knowledge sharing sessions • 1,370 visits to online knowledge sharing platform by employees • Employee retention strategies • Engagement with stakeholders. • Corporate communication function to preserve DIMO brand. • A dedicated unit to conduct system and process improvements
Natural Capital (P 88 – 91)	• Water usage 104,795 M3 • Energy consumption 76,519 GJ • Total land owned 84A 2R 13.31P	• ISO 14001:2015 accredited environmental management system • State-of-the-art water treatment and recycling plants • The rain water harvesting system • An accredited entity by the Sri Lanka Sustainable Energy Authority to conduct energy audits

	Output of Management Activities	Outcomes	Capital trade-offs
	• The debt to equity ratio as at 31st March 2018 was 0.05 • Asset turnover ratio reduced to 1.52 times from 1.95 times previous year. • 16.3% gross profit ratio. • Net cash generated from operating activities Rs.463 mn	• Earnings per share Rs. 62 • 16% increase in net asset per share • Market value per share Rs. 464.9 • Dividend per share Rs. 20 • Return on equity ratio 4.71%	• Rs. 318 mn monetised capital investment on customer engagement initiatives (MC to RC) • Rs. 3,271 mn monetised capital shared with human capital (MC to HC) • Rs. 66 mn monetised capital investment on nurturing business partner relationship capital (MC to RC) • Rs. 10.5 mn monetised capital investment on natural capital preservation. (MC to NC)
	• 5,587 number of repeat purchases • 87% of total customer complaints received being solved within three working days • 1.2 million website visits • 1,148 members in loyalty programmes	• Customers satisfaction index 88% • Recognised as the best spare parts retail network development 2017 by TATA Motors Limited • Recognised for the highest growth in market share 2017 – MHCV Trucks • "Mercedes Benz" wins silver award in international brand of the Year by SLIM Brand Excellence Awards 2017	• Customer purchases generated Rs 43,686 mn revenue (RC to MC) • 143 employees were trained by our business partners on latest technologies and products (RC to IC)
	• Employee engagement score increasing from 3.88 to 4.00 • 130 employees were promoted • Rs. 3,254 mn monetised value shared with employees • Over 44,000 likes acquired by the career Facebook page during the year	• Employee satisfaction index 66.3% • A Great Place to Work for five consecutive years • Winner of Sri Lanka's Best Employer Brand Awards 2017 by World HRD Congress • 3.7% of total value distributed among employees in provinces that report a higher poverty headcount index	• The revenue generated per employee is Rs. 23.6 mn (HC to MC) • 1287 employees were trained on customer service skills (HC to RC) • Employee retention efforts safeguard the Group's knowledge capital (HC to IC) • 696 training hours spent on environmental preservation (HC to NC)
	• 7 employees were recognised and rewarded for innovative ideas presented and implemented by them • Capitalisation of tacit knowledge • Improved efficiency though systems and processes • Enhanced brand awareness	• National Award for Quality and Productivity - TATA commercial service workshop Siyambalape and passenger workshop Ratmalana • Recognition received for HR practices, financial, integrated and sustainability reporting • Contribution made by DIMO brand for value creation	• Improved systems and process, knowledge assets and brand reputation enhances monetised value generation in medium to longer term (IC to MC) • The Group's 360 degree CRM process enhances customer relationships (IC to RC) • Online performance evaluation system underpins human resource management process (IC to HC)
	• 2.41 M3 water consumption to generate 1 mn turnover • 1.76 GJ energy consumption to generate one mn turnover • 8% of water consumption are recycled	• Preserving natural capital • Acting responsibly towards the environment • Enhanced brand reputation due to responsible behaviour	• Efficient usage of natural capital provide cost benefits to the Group's profit and loss (NC to MC)

MONETISED CAPITAL

INTRODUCTION

This review covering monetised capital of the Group for the year ended 31st March 2018 takes into consideration companies that have been consolidated in the financial statements of Diesel & Motor Engineering PLC.

Group companies, including the entities in which equity interests were acquired during the year, are indicated in the Group Structure on page 19.

MATERIAL SIGNIFICANCE OF MONETISED CAPITAL

Monetised Capital represents those resources which are stated in monetary terms in the Financial Statements. It includes financial capital, manufactured capital and monetised natural capital. Monetised capital is the medium through which we transact with many of our stakeholders. It is a key form of capital that provides inputs for value creation and is often the primary medium for trade-offs with other capitals. As such, it is often used to acquire other capitals and is affected by trade-off with other capitals. Monetised capital is also one of the most measurable capitals within a business and is often given prominence in performance evaluation.

Monetised capital has a significant influence on our ability to acquire other forms of capital. The quality and availability of key enablers of value creation such as property, plant and equipment, and inventory are monetised capitals that influence the competitiveness of the value proposition on offer. Securing and carefully nurturing monetised capital is therefore of paramount importance for the sustenance and growth of the business.

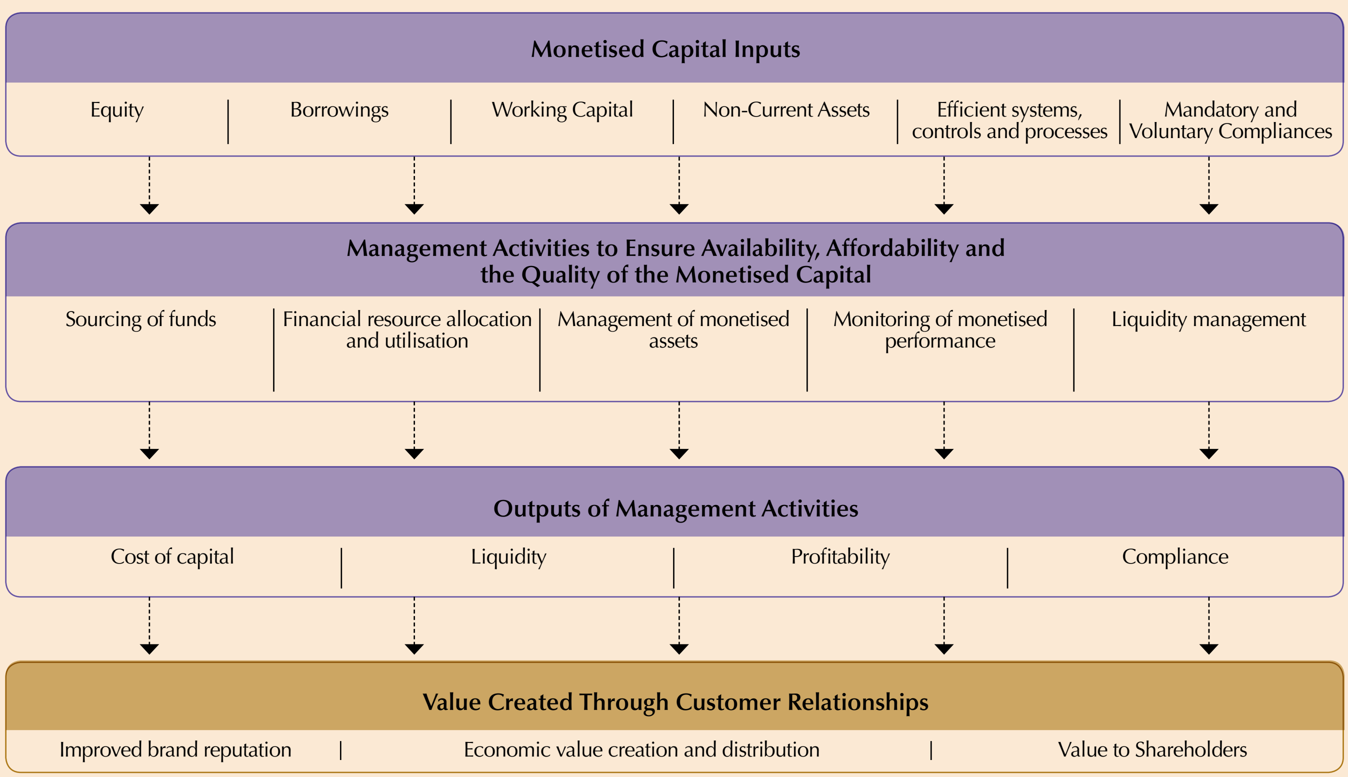
HOW WE USE MONETISED CAPITAL TO CREATE VALUE

How we manage the sourcing and usage of monetised capital is key to maximising its impact on value creation. Sourcing and using monetised capital efficiently leads to lower cost of capital, improved liquidity, efficient utilisation of monetised assets, enhanced profitability and many other positive impacts.

Among the measures we employ to optimise value creation are optimum leverage, efficient treasury management, prudent management of working capital, efficient allocation of financial resources, gainful capital trade-offs, managing utilisation of monetised assets and evaluation of monetised performance.

The financial statements appearing from page 152 to 205 together with the monetised value added statement on page 117 provide information on the role of monetised capital in value creation and consequently, the ways in which the capital has been shaped as a result.

How Management of Monetised Capital Helps Achieving Strategic Outcomes



MANAGEMENT ACTIVITIES

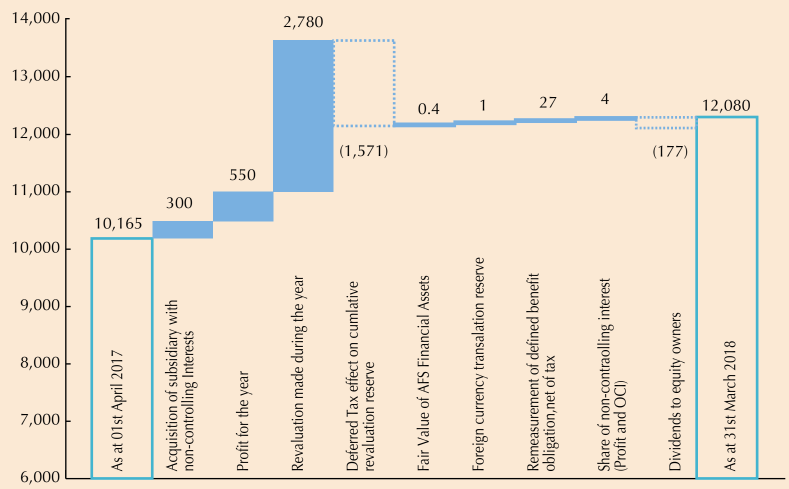
Sourcing of funds

Equity

Retained earnings and other comprehensive income driven by revaluation surplus of land boosted total equity from 10.2 billion to 12.1 billion (including non controlling interest) during the year. Total equity included Rs.304 million (2016/17 – 0.00) of non- controlling interest. Equity attributable to equity holders of the Company at the year end was Rs. 11.8 billion (2016/17 – Rs. 10.2 billion)

Other comprehensive income included a deferred tax charge of Rs. 1,572 million on account of income tax on profit on sale of land, as a consequence of land included under property, plant and equipment becoming liable for income tax in line with the recently enacted Inland Revenue Act No. 24 of 2017.

Changes in Equity (Million)



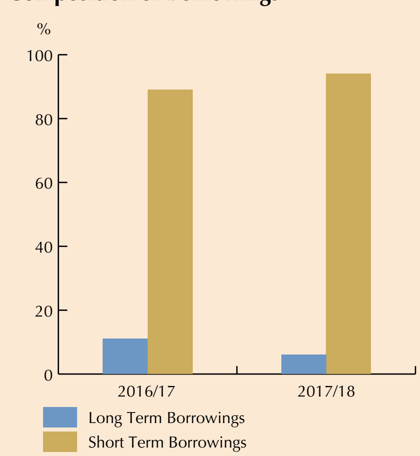
Long term borrowings

Long term borrowings as at the year end amounted to Rs. 595 million (Rs.910 mn – 2016/17) out of which Rs. 282 million (Rs.319 mn – 2016/17) was classified as current liabilities, being the repayment due during the financial year 2018/19. A long term loan is being negotiated to replenish the cash outflow on account of the acquisition of interests in subsidiaries and the joint venture. The interest rates applicable to long term loans ranged from 7.75 % per annum (7.75% – 2016/17) to 9% per annum (9% – 2016/17). AWPLR as at 31st March 2018 was 11.55%.

Short term borrowings

Short term borrowings which consist of short term bank loans including import loans, and bank overdraft, amounted to Rs.8,594 million (Rs.7.475 – 2016/17). Short term borrowings are sourced mainly to fund working capital.

Composition of Borrowings

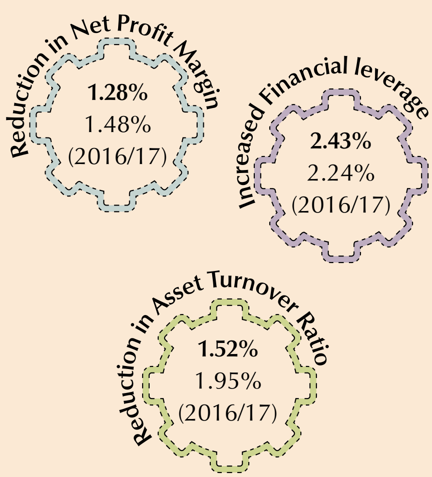


Interest on overdrafts are reviewed periodically by the Group's centralised treasury function and rates charged on short-term import loans are determined based on money market rates.

Details of borrowings appear on Note 4.22 to the Financial Statements.

Financial resource allocation and utilisation

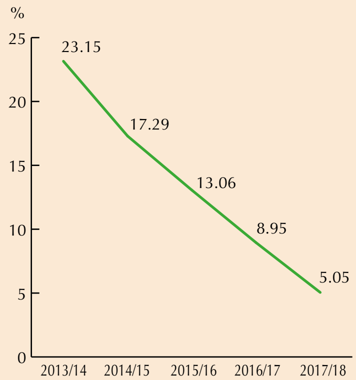
Financial Leverage and Asset Turnover Ratio are two key determinants of ROE. Therefore, optimum gearing and efficient allocation of funds for investment in assets, and the productive management of monetised assets play a key role in optimising shareholder value.



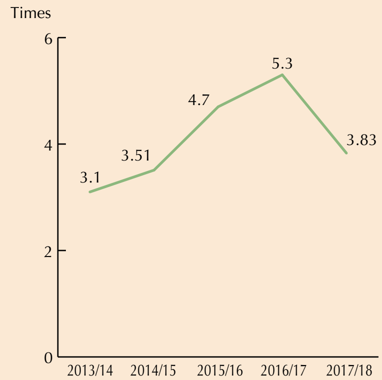
Debt to Equity

The Debt to Equity Ratio, which is calculated as a percentage of long term debt to equity, stood at 5.05% as at 31st March 2018 (8.95 % – 2016/17). This reduction was due in part to an increase of shareholder funds from Rs.10,165 million in the previous year to Rs.11,776 million as at the end of the year under review, and a 34.6% decrease (30.3% in 2016/17) in long term borrowings.

Debt to equity ratio

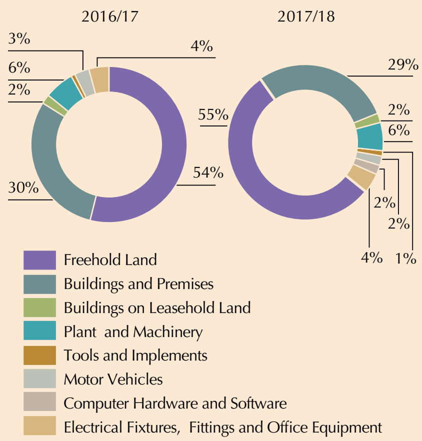


Asset Utilisation (Times)



> The Company acquired two stakes of 51% each in Plant Seed (Pvt) Ltd. and PlantChem (Pvt) Ltd. on 23rd February 2018 from the existing shareholders

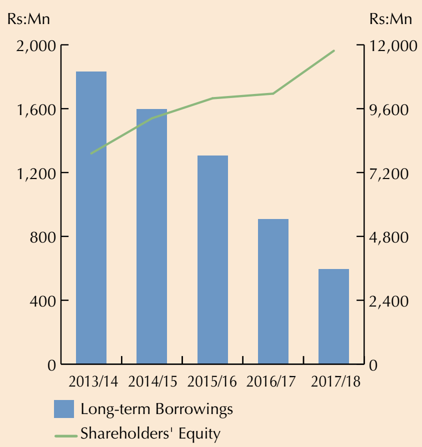
Property, Plant and Equipment



Asset Turnover Ratio

The increase in total assets, driven mainly by revaluation of land and the lower turnover compared to the previous year, caused the asset turnover ratio to reduce to 1.52 times from 1.95 times previous year.

Capital structure



Management of monetised assets

Efficient and prudent management of monetised assets such as property, plant and equipment, intangible assets, inventory, receivables and cash in hand and at bank, is imperative in maximising profitability and liquidity. The management of monetised assets is therefore considered a key management activity in managing monetised capital.

Property, plant and equipment

The annual budgets include the capital expenditure plan of each business unit. Acquisition of property, plant and equipment is subject to approval guidelines where, depending on the amount to be spent, the Group Management Committee or the Board of Directors must approve the expenditure.

Investment in property, plant and equipment (PP&E) at written down value as at the year-end was Rs.11,452 million (Rs.8,299 million - 2016/17). Capital expenditure for the year amounted to Rs.450 million. This included investments in the construction of a workshop hangar at the Siyambalape workshop, acquisition of machinery for the fertiliser operation and investments made in expansions of vehicles after sales operations. In addition, acquisitions of PP&E through business combinations, accounted at fair value on the acquisition date, amounted to Rs. 297 million.

Freehold land was revalued during the year, which resulted in a surplus of Rs.2,781million shown under other comprehensive income.

Equity investments

The Company invested Rs.38.1 million in DIMO Lanka Company Ltd. (DLCL), Myanmar, on 31st August 2017 for a 100% stake. DLCL invested Rs.21.2 million in United DIMO Lanka Company Ltd. (UDLCL), Myanmar, on 27th November 2017 for a 70% stake. DLCL will make further investments in business areas where DIMO holds expertise, subject to permissibility by its articles. UDLCL presently operates a motor vehicle workshop in Yangon and its performance to date is in line with initial plans.

The Company acquired Rs.58 million in DIMO Coastline (Pvt) Ltd. (DCPL), Republic of Maldives, on 22nd February 2018 for a 40% stake. This investment appears in the consolidated financial statements as an equity accounted investee. DCPL will engage in the business of marine and general engineering in the Maldives.

The Company acquired two stakes of 51% each in Plant Seed (Pvt) Ltd. and PlantChem

(Pvt) Ltd. on 23rd February 2018 from the existing shareholders. Goodwill on acquisition of the stake in Plant Seed (Pvt) Ltd. amounted to Rs.103 million. The acquisition of the stake in PlantChem (Pvt) Ltd resulted in a bargain purchase amounting to Rs. 39 million, which was recognised as other income in the statement of profit or loss.

Inventory

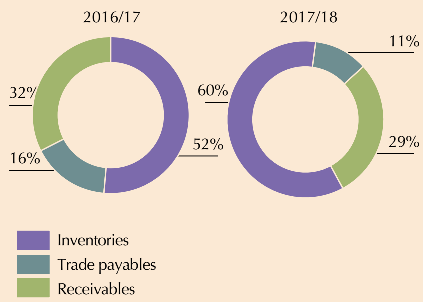
Order quantities of vehicles are based on future forecasts and orders are placed well in advance to allow adequate time to include them in the production schedules of the manufacturer. Order quantities of spare parts and items that come under the purview of the marketing and distribution segment are determined with the assistance of our information management system, which takes into consideration the actual movement, forecasts, lead time, minimum order quantity and other relevant information.

The value of inventory as at the year end, after deducting the provision for slow moving inventory, amounted to Rs. 9,561 million (Rs.8,942 million - 2016/17). This included an amount of Rs. 1,822 million (Rs.1,326 million - 2016/17) on account of goods in transit, where goods have not been physically received. The provision for slow moving inventories as at the year end reduced to Rs.350 million from Rs.406 million last year. 59% of inventory belongs to the vehicle sales segment, followed by 20% carried by agriculture segment.

Receivables

Carrying value of trade receivables net of provision for impairment was Rs. 5,998 million (Rs.4,277 million - 2016/17). The provision for impairment of trade receivables as at year end was Rs.464 million (Rs.545 million - 2016/17). The impairment policy for trade receivables is given on note 4.16 on page 190. Trade receivables after impairment outstanding for more than 365 days after impairment was Rs.65.8 (Rs.32.2 million - 2016/17).

Working capital



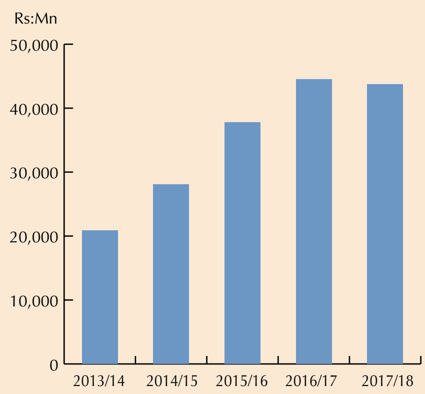
Monitoring of monetised performance

Monitoring of monetised performance enables effective management of monetised value creation, including operating efficiency and effective utilisation of assets.

Turnover

The Group gross turnover for the year decreased by 1.8% from Rs.44,493 million to Rs. 43,686 million. The quarterly distribution of the annual turnover is given below.

Group Turnover



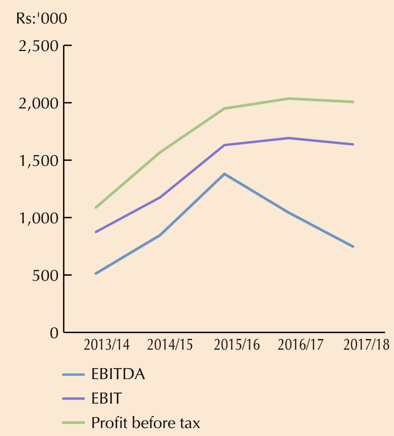
The vehicle sales segment was the main contributor to the decrease in turnover. Information on segmental turnover is available in note 4.2 on page 166. Turnover from the sale of goods accounted for 89% of the turnover.

The achievement of sales targets tied to performance incentives is a key tool we use in driving turnover. The sales efforts are complemented by appropriate marketing strategies.

Profitability

The Gross Profit Ratio taken as a percentage between gross profit and net revenue was 16.3% (16.7% - 2016/17). In Rupee terms the gross profit declined by Rs. 307 million this year, from 7,398 million to 7,091. Profit after tax decreased to 554 million from 657 million previous year. Lower gross profit and the increase in finance costs were the main contributors to this 15.6% reduction. Earnings before interest and tax (EBIT) decreased to Rs. 1,637 million from Rs. 1,692 million previous year.

Earnings



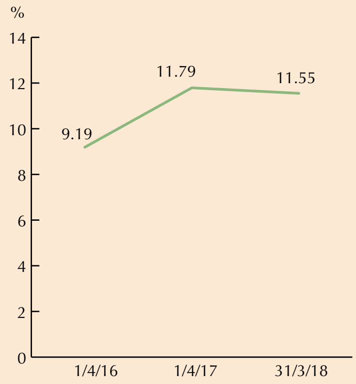
Administrative expenses

Administrative expenses decreased by 1.5% from Rs. 4,849 to Rs. 4,776 million. Budgetary control is a key tool used in managing expenses.

Finance costs

Finance costs increased by 24% to Rs. 1,058 million compared to Rs. 856 the previous year. Higher borrowing rates during the first half of the year in comparison with the corresponding period the previous year, and the higher level of borrowings during the year, caused the increase in borrowing cost. The total borrowings at the year end (long-term borrowings and short-term borrowings) increased to Rs.9,189 million from Rs.8,382 million at the commencement of the year.

Movement in AWPLR



Increase in finance cost and decrease in net profit resulted in a reduction in interest cover from 2.22 times to 1.71 times.

Income tax

The Group income tax expenses decreased from Rs.387 million to Rs.193 million with the reduction of net profit before tax. The effective tax rate (including the effect of the deferred tax expense) decreased to 26% from a rate of 37% previous year. The rate of income tax applicable to the Company and subsidiaries was ranged from 12% to 28%. The reconciliation between accounting profit and taxable income is available in Note 4.6 to the Financial Statements.

The new Inland Revenue Act No. 24 of 2017 that came into effect from 01st April 2018 requires that income tax be paid on profit on sale of land, which was not subject to income tax under the previous act. Accordingly, based on the revaluation of land, a deferred tax liability amounting to Rs.1,572 million was recognised under other comprehensive income. A summarised computation of deferred tax is given in Note 4.24 to the Financial Statements.

> Net cash generated during the year from operating activities amounted to Rs.463 million (Net cash used of Rs.655 million - 2016/17)

Estimates and Judgements

Estimates and judgments have been used in preparing the financial statements. Impairment of non-financial assets, current tax and deferred tax assets, useful lifetime of PPE, provision for impairment of trade receivables, employee benefits, providing of contingent liabilities and acquisition of subsidiaries are the main areas in which estimates and judgements have been used.

Liquidity Management

Managing the flow of funds is imperative to the efficient management of monetised capital to ensure efficient utilisation of resources, liquidity and solvency. Therefore, regulating and managing the outflow of funds for investing activities, working capital and debt servicing, and the generation of funds through profitable operations, working capital cycle management and borrowings, are key aspects in managing the flow of funds. The statement of cash flow provides vital information relating to management activities of the funds flow.

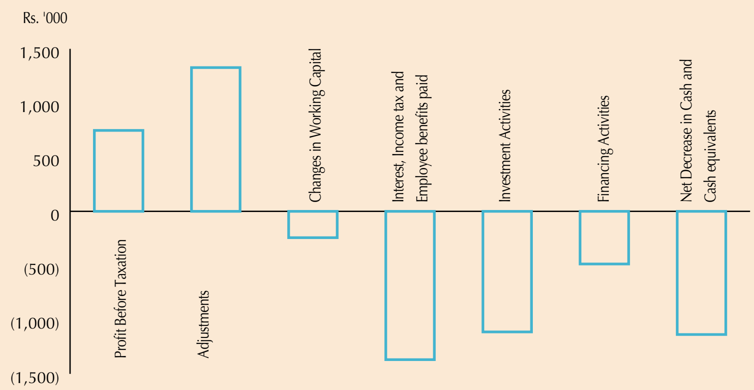
Cash flow statement

Net cash generated during the year from operating activities amounted to Rs.463 million (Net cash used of Rs.655 million - 2016/17). The investing activities resulted in a net cash outflow of Rs. 1,114 million (Rs.685 million - 2016/17). To compensate for this significant outflow, an inflow by way of proceeds from a long term loan is expected to take place during the first half of the financial year 2018/19. Financing activities resulted in an outflow of Rs.487 million (Rs.848 million - 2016/17) during the year. Overall, the year's activities cause a net decrease in cash and cash equivalents, amounting to Rs.1,138 million (Rs.2,187 million - 2016/17).

Treasury management

The Group operates a central treasury function, which controls decisions in respect of cash management, utilisation of borrowing facilities, banking relationships and foreign currency exposure management. This enables effective cross utilisation of funds among business units.

Movement in Fund flows



The Board of Directors approved an interim dividend of Rs. 20 per share (interim dividend of Rs.24 per share in 2016/17) for the year ended 31st March 2018

Solvency

As per the section 56 of the Companies Act No. 07 of 2007, the Company carried out a solvency test prior to the payment of the interim dividend and obtained a solvency certificate from the Independent Auditors stating that the Company has the ability to pay its debts as they become due in the normal course of business, and that the Company meets the required solvency levels prior to payment of the interim dividend.

RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management. The Group's overall risk management programme recognises the unpredictability of the financial market and the potential impacts of the fiscal policy of the government, and seeks to minimise adverse effects on the Group's financial performance.

The US Dollar and the Euro are the principal currencies in which most of the Group's imports are denominated. Majority of receivables from foreign principals, though relatively smaller, are also denominated in the same currencies. Foreign exchange exposure is hedged through forward contracts, where it is deemed necessary. Hedging of the foreign currency exposure is also available to the extent that trade receivables in foreign currency and foreign currency bank account balances cover the exposure on foreign currency payables. A sensitivity analysis of profitability to the fluctuations of the exchange rates is available in note 4.13.2 to financial statements.

Borrowings are obtained through a combination of fixed and floating interest rates, depending on the attractiveness of each option at the time of borrowing. Most borrowings permit premature settlement without a cost. This arrangement allows the Group to exercise flexibility during any movement of interest rates.

More details on financial risk management covering credit risk, liquidity risk and market risks such as currency risk, interest rate risk, and equity price risk together with a sensitivity analysis where appropriate, is given in note 4.13.2 from page 186 to 187.

More details of risks relating to monetised capital and their potential impact can be found on page 132 in the Risk Management report.

RETURNS

Return on Equity (ROE)

A higher equity and a lower net profit resulted in lower ROE of 4.71% compared to 6.46% previous year. The net profit margin ratio, asset turnover, and financial leverage were 1.3% (1.5% in 2016/17), 1.5 times (1.9 times in 2016/17) and 0.05 times (0.09 times in 2016/17) respectively.

Earnings per Share

Earnings per share (EPS) for the year under review was Rs.62 compared to Rs.73.9 the previous year. The computation of EPS is given in Note 4.2 to the Financial Statements. There were no changes in the number of shares in issue during the year.

Dividends

The Board of Directors approved an interim dividend of Rs. 20 per share (interim dividend of Rs.24 per share in 2016/17) for the year ended 31st March 2018, which was paid on 29th March 2018. The gross dividend amounted to Rs. 178 million (Rs. 213 million- 2016/17). The dividend payout ratio for 2017/18 is 32.2% compared to 32.4% in 2016/17. The dividend cover applicable to the financial year was 3.10 times (3.08 times in 2016/17).

The Company had access to the necessary funds to finance the payment of the interim dividend.

FINANCIAL PRIORITIES

Strategies will be required to spur a turnaround of gross profit margins which have been under pressure in the recent past. This will be one of the key strategic objectives for all business units. The intensity of expense management efforts that prevailed during the year will continue to the next year. The investment plans for the year indicate that more funds will be required for investment. Concerted efforts will be made to improve asset utilisation and make working capital management more efficient.

RELATIONSHIP CAPITAL - CUSTOMERS

REDEFINING SUSTAINABLE BUSINESS THROUGH LONG-TERM RELATIONSHIPS

THE MATERIAL SIGNIFICANCE OF CUSTOMER RELATIONSHIPS TO DIMO

DIMO's value chain pivots on the ultimate delivery of value to our customers, and we recognize that the quality of today's customer relationships may significantly influence our ability to sustain the generation of monetised value in the future. Our efforts to grow customer value hinge upon our investments towards building mutually beneficial, rewarding and transformative long term relationships.

The monetised value generated by customer transactions during the year under review was valued at Rs. 43.7 billion.

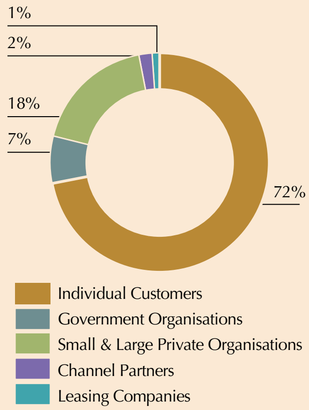
USING OUR CUSTOMER RELATIONSHIPS TO CREATE VALUE

Building strong customer relationships entails proactive strategies to create value. At DIMO, we practice a range of management activities that are designed to ensure positive customer experiences, enhanced customer trust and loyalty, and responsible behaviour.

A.R. Pandithage
Chairman & Managing Director

"The bond that we share with our customers has been akin to a marriage, a lifelong commitment"

Customer relationship capital profile by type of customers



How Customer Relationships Helps Achieving Group's Strategic Objectives

Customer Relationship Capital Inputs

Existing customer portfolio | Strategic customer base | Customer insights | Mandatory and voluntary compliance

Management Activities to Ensure Availability, Affordability and the Quality of the Customer Relationship Capital

Understanding our customers | Building an Innovation oriented customer value proposition | Investing in multiple customer contact channels | Customer experience management | Addressing customer aftersales issues | Customer centric business values | Capital trade-off

Outputs of Management Activities

Meeting customer expectations | Positive customer experience | Enhanced customer trust and loyalty | Responsible behaviour

Value Created through Customer Relationships

Improved brand reputation | Increased financial performance | Improved customer satisfaction

The Group's other three value creation activities vis-à-vis value chain management, impact management and risk management, also enhance customer relationships in indirect ways.

The desired outputs of these activities result in a positive impact on DIMO's overall strategic outcomes, as identified in the diagram on the previous page. The key performance indicators therein include the customer satisfaction index, number of repeat purchases and revenue generated for each one rupee investment on customer relationship building. (Refer customer relationship capital dashboard)

MANAGEMENT ACTIVITIES

Understanding Customers

Meeting customer expectations hinges on our ability to identify their changing needs and wants in a timely manner. DIMO uses surveys, market research studies and meetings to understand evolving needs and thereby retain good customer relationships. During the year under review, we conducted 219 surveys and 149,695 dialogues with customers. The findings of these exercises are fed into management activities to enhance the customer experience.

Building an innovation oriented customer value proposition

The value proposition we offer customers comprises of components that position DIMO high among competitors and encourage customers to transact with us. DIMO's unique customer value proposition is built on differentiation throughout the value chain in terms technological excellence, innovation, aftercare, customer relationship management, market presence and responsible behaviour. This differentiation strategy, together with the collaboration strategy, provides an excellent value proposition to customers.

Investing in multiple customer contact channels

Accessibility is an important aspect of fostering customer relationships, as closer proximity enhances the opportunity to understand customer needs better. DIMO's customer contact channels include our physical presence islandwide, digital presence via the corporate website and social media, and audio presence through the call centre.

As at 31 March, the Group operated 30 branches, 10 display points and 17 customer contact points. A mobile sales team further increases our reach. On the digital front, the dynamic DIMO website drew in 2,283 product inquiries via the comprehensive, continuously updated products page. The Group maintains five active Facebook pages, which saw over 45, 000 average monthly engagements. The DIMO call centre is accessible 24/7 for complaints and feedback; during the year 108,000 and 435,600 calls respectively, were received and reverted.

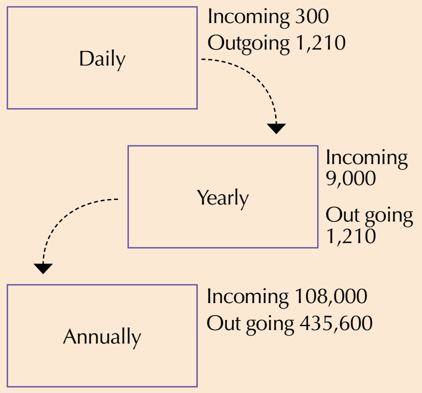
Addressing customers' post sales issues

Customers must have the comfort of reliability to maintain a healthy relationship based on trust. An important aspect of reliability is an effective system to address post-sales issues. DIMO has in place a well-established aftersales business segment, with international standard technologies. We hold a number of franchises in Sri Lanka for a range of spare parts, that are made available through a well spread dealer network. (Refer page 98 to 100 for the detailed discussion on after services segment).

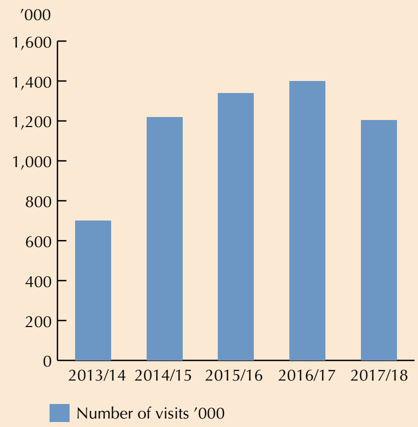
Managing customer experiences

Delivering a memorable customer experience enables DIMO to exceed customer expectations and nurture customer relationships. During the year, we invested in customer engagement initiatives and loyalty programmes that enabled us to reach 7,739 customers. Signature events during the year included Mercedes-Benz Pageant, Mercedes-Benz Golf Tournament, TATA Genuine Oil Launch, G –Class launch and Jeep Renegade Launch.

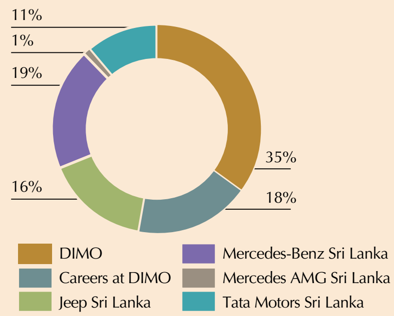
Call centre voice interaction



Number of website visits during the year



The composition of the total Facebook likes

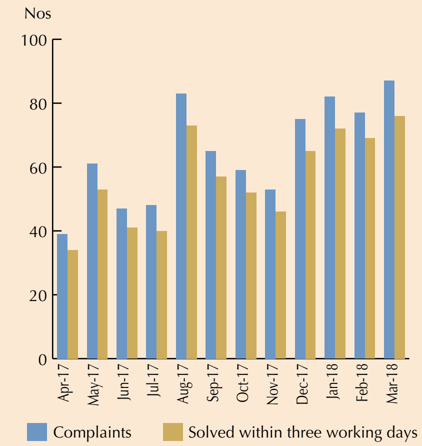


The Mercedes-Club of Sri Lanka, Jeep Club of Sri Lanka, and the TATA Emperor Customers and Driver's club are some of the prevailing customer loyalty programmes, which recorded 1,148 members as at year end.

A dedicated division to manage customer relationships

We consider it vital to listen and respond to even the faintest wishes of customers to build relationships of trust. The dedicated Customer Relationship Management team acts as the first point of contact and during the year under review, received 776 (567 in 2016/17) customer complaints of which 678 (495 in 2016/17) were resolved within three days. Other more complicated complaints took longer to respond to, but were eventually resolved. The diagram below explains the comprehensive work undertaken by the CRM team to ensure a positive customer experience.

Monthly Customer Complaints



CUSTOMER INTERACTION POINTS

Western Province		
Head Office	011-2449797	3S
DIMO Mart	011-4360014	S
MB Center	011-4448989	3S
Medical Engineering & Power Engineering Solutions	011-4607100	3S
Total Marine Solutions	011-4602000	3S
Siyambalape Complex	011-2400670	SER
DIMO Logistics Centre	033-4934753	3S
TATA Passenger Car Workshop	011-4645487/88	SER
DIMO Tyre Mart	011-4501035	3S
Gampaha	033-4641034	S
Yakkala	033-4641004	S
Piliyandala	011-4376943	S
Horana	034-4947836	S
Kurana	031-4641026	S
Agri Machinery sales	011-2449797	S
Bosch Service Centre	076-9120321	SER
Komatsu & KSB Sales	011-2449797	S
Mathugama	034-4941129	S
Padukka	011-4645754	S
TATA Showroom	011-2449711	S
TATA Spare Parts Bosch Power Tools	011-4602100	S
Construction Spare Parts Sale center	011-4645384/5	S
DIMO Lighting	011-4501270	S
Negombo TATA Passenger Car Show Room	077-1724997	S
DIMO Agri Businesses	011-4504420	S

Southern Province		
Matara	041-4929378-9	3S
NaSevana Technical Institute	047-4641022	SER
Ambalangoda	091-4941158	S
Tissamaharama	047-4932442	3S
Ambalantota	047-4934019	S
Galle	091-4501004	S

North Western Province		
Kurunegala	037-4697801	3S
FMC operations	077-9271551	SER
Puttalam	032-4930526	3S
Nikaweratiya	037-4944378	S
Chilaw	032-4501367	S
Kuliyapitiya	037-4501009	S
Wennappuwa	031-2254866	S
DIMO Kurunegala Regional Centre	037-4697800	3S

Northern Province		
Jaffna	021-4923672	3S
Vavuniya	024-4925009	S
Mannar	023-4920459	S

Eastern Province		
Trincomalee	026-4641020	3S
Batticaloa	065-4927345	S
Ampara	063-4923406	S

Central Province		
Kandy Branch - Katugastota	081-4940829	S
Kandy Branch Workshop - Balagolla	081-4950445	SER
Dambulla	066-4928283	S

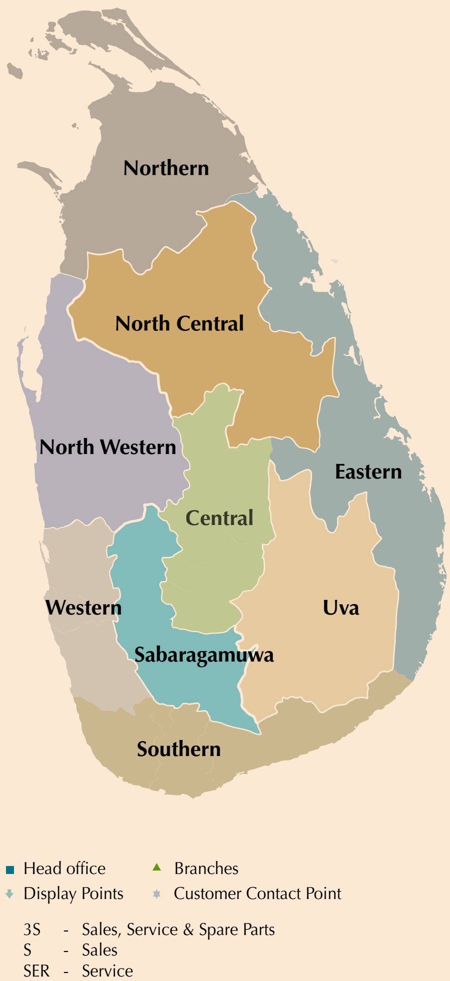
Sabaragamuwa Province		
Ratnapura	045-4928620	3S
Embilipitiya	047-4931050	S
Kegalle	035-4641007	S

Uva Province		
Monaragala	055-4641012	S
Mahiyanganaya	055-4641022	S
Welimada	057-4200100	S

North Central Province		
Anuradhapura	025-2223025	3S
Padaviya	025-4928867	S
Polonnaruwa	027-4641008	S
Anuradhapura TATA Workshop-Accident Repair	025-2223025	SER

Customer centric, business values that ensures responsible customer care

We assure our customers' integrity across the value chain by focusing on ethical marketing, responsible product labelling, and product safety. The products and engineering solutions we offer conform to the highest levels of safety and are designed to ensure minimum impact on the environment. The group has in place a ISO 9001:2015 accredited quality management system. Our marketing practices conform to the highest standards of ethics and are based on transparency, honesty and full disclosure. Customer privacy is paramount and we maintain utmost confidentiality of customer information. We place emphasis on labelling and catalogue referencing, and ensure statutory requirements are met in



respect of providing diagrams and pictographs, expiry dates and standardisation code numbers where relevant.

Capital trade-offs and resource allocation

Building customer relationships requires significant investment of the other capitals and such investments are considered during the Group's annual budgeting process. DIMO's human capital strategy focuses on building customer-centric teams; we ensure that any employee that has direct interaction with customers is well trained on the skills required to provide a memorable customer experience. 1287 employees were trained in this area during the year.

Year	Sales staff		Service Staff	
	Number of persons trained	No of training Hours	Number of persons trained	No of training Hours
2017/18	1,287	11,197	4,642	38,289
2016/17	655	5,531	2,521	31,287
2015/16	703	6,284	2,592	20,451
2014/15	1,224	7,297	2,432	16,739
2013/14	638	3,873	1,900	16,146

Rs.318 million (322 million - 2016/17) was invested in customer interaction and relationship management during the year. Accordingly, revenue worth Rs.139 (Rs.135 - 2016/17) has been earned per every one rupee of customer interaction and relationship management expenses.

The relationship we maintain with business partners in various segments helps to shape the customer value proposition; it enables DIMO to offer the latest technologies and highest quality standards. During the year, the Group maintained 90 foreign business partner relationships.

Customer Relationship Management

Customer Relations and Experience

1. Co-ordination with customer regarding customer complaints
2. Validation of the customer data base
3. Co-ordination of customer centric events
4. MB Credit card programme
5. Branch visits and educating the staff on complaint handling and management
6. Documentation of customer complaints and feedback

CRM

Customer Insights Analysis

1. Daily data analysis generated from the call centre
2. Bulk SMS
3. Customer data base cleansing
4. Compiling of daily, weekly and monthly reports

Call Centre

1. Customer sales inquiry handling
2. Follow up on all customer inquiries
3. Conducting surveys
4. CSI & SSI
5. Campaigns
6. General inquiries
7. Road-Side-Assistance call handling & follow up

The brand reputation of "DIMO", which is a component of intellectual capital, provides the platform upon which customer relationships are built. It includes the reputation built over 79 years of service excellence.

MANAGING THE RISKS AND OPPORTUNITIES

Material risks

Area of Risk	Mitigation Activities
Products or services with health and safety related defects that may escape DIMO's QMS and arrive in the market.	The Group's QMS is ISO 9001:2015 accredited. During the year zero incidents were reported regarding health and safety defects of the products and services offered by the Group.
Possible damage to customer relationships due to unsolved customer complaints.	CRM team is well equipped to handle customer complaints on time. The manner in which the team approaches customer complaints are elaborated in the "CRM" diagram presented on page 73.

Material opportunities detected

Opportunity Detected	How DIMO nurtures the opportunity
Technological advancements enabled cost efficient and customised customer relationship management tools (social media, big data analysis)	Technology is overtaking the business environment and information flows faster than ever. Social media has enabled the circulation of information at a relatively lower cost. DIMO talks to its customers on five active Facebook pages, which have acquired over 1.5 million likes.

RELATIONSHIP CAPITAL - BUSINESS PARTNERS

GLOBAL PARTNERSHIPS DELIVERING INTERNATIONAL QUALITY TO LOCAL CUSTOMERS

THE MATERIAL SIGNIFICANCE OF BUSINESS PARTNER RELATIONSHIPS TO DIMO

DIMO serves as representatives in Sri Lanka for a portfolio of globally recognised brands, which form the bedrock of the attractive value proposition we offer our customers. DIMO's value creation process thus begins with the initial input of our business partners, making them a critical component of the value chain. The value we ultimately deliver pivots on our business partners providing us a proposition that meets the right expectations of quality, availability, timeliness and competitiveness.

The strength of our business partner relationships is a source of competitive advantage and therefore, our sustenance is ensured in part by building mutually beneficial and consistent relationships with them. We proactively improve the quality of our interactions in order to maintain expedient relationships with business partners. (A segment-wise brand portfolio and key principals list are given in the Value Chain Management Report from page 92 to 111).

DIMO considers it strategically important to build positive collaboration with Business Partners, given the correlation between our ability to create a value and the relationships we maintain with our partners. This has been embedded into our corporate strategy, as seen in the Strategy Illustration on page 29.

The input acquired from foreign principals is carefully nurtured by the DIMO tribe, in partnership with the DIMO local partner network. The strong, like minded alliances that DIMO has built with its local partners, enable us to capitalise on the initial inputs.

HOW WE'RE USING OUR BUSINESS PARTNERSHIPS TO CREATE VALUE

Our relationships with business partners are built on the tenets of meeting expectations, improved trust and responsible behaviour. We ensure sustainable relationships with our business partners through four key management activities that lead to the desired outcomes, as seen in the diagram.

These activities represent the direct interventions that nurture the business partner relationships; concurrently, the Group's value creation activities of value chain management, impact management and risk management also indirectly influence business partner capital and help us endeavour towards the targeted outputs.

The achievements of our stated objectives leads to high quality relationships. Furthermore, they positively influence the Group's ability to achieve its overall strategic

How Business Partner Capital help Achieving Strategic Outcomes

Relationships with Business Partners - Inputs

Existing business partner portfolio	Strategic business partner base	Longevity of business partner relationships

Management Activities to Ensure Availability, Affordability and the Quality of the Business Partner Relationship Capital

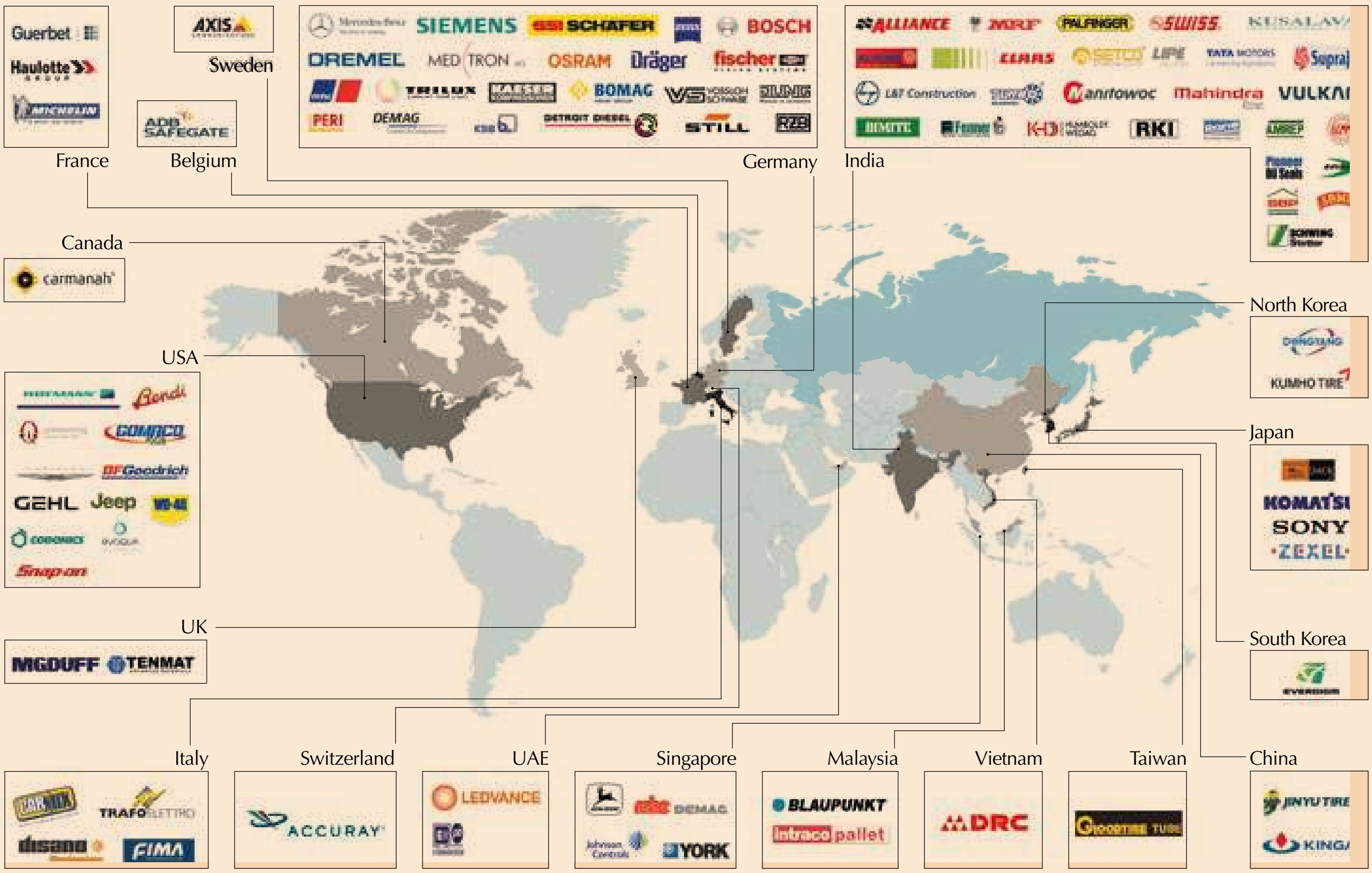
Evaluation of strategic fit	Engagement with business partners and assessing their expectations	Independent surveys to evaluate the level of expectations met	Conflict resolution	Capital trade-off and resource allocation

Outputs of Management Activities

Meeting business partner expectations	Increased Sourcing Efficiency	Increased access to international technology

Value Created Through Customer Relationships

Improved business partner satisfaction	Superior brand reputation	Improved customer value proposition



outcomes, as depicted in diagram below. The many accolades our business partners have bestowed upon us provide testimony to this. (Refer the dashboard below)

> Building business partner relationships requires significant investments of other capitals and the Group's Annual budgeting process evaluates and decides the level of such investments...

MANAGEMENT ACTIVITIES

Evaluation of strategic fit

DIMO is very selective about those with whom we partner. They must fundamentally have core values that complement our own and must have a similar approach to conducting their businesses. We have found that such a meeting of minds enables provides the best platform upon which a sustainable productive relationship may be built. The aspects make up the strategic fit we expect of our business partners are integrated into DIMO's supplier code; all partners are required to reaffirm their commitment to these values and disseminate those through their own supply chain. Among the many aspects are ones that prescribe our expectation of ethical standards and the level of technology integrated into systems. The strategic fit is closely evaluated at the initiation of a relationship and annual evaluations are carried out thereafter to ensure that the fit is maintained.

We take extra measures to ensure that our local supplier network maintains standards that complement the standards maintained by our international business partners. As of 31st March 2018, 40 major local suppliers had committed to upholding the DIMO supplier code.

Our commitment to health and safety extends to the operations of those who partner with us; we carry out priority evaluations on a periodic basis to monitor the requisite health and safety standards at workplaces of sub-contractors.

Managing business partner expectations

We build relationships of trust with business partners by clearly identifying their expectations, resolving conflicts, delivering expectations and maintaining transparency.

At the very initiation of the relationship, the key expectations are discussed, thereby setting the ground rules for a successful

DIMO is very selective about those with whom we partner. They must fundamentally have core values that complement our own and must have a similar approach to conducting their businesses. We have found that such a meeting of minds enables provides the best platform upon which a sustainable productive relationship may be built

relationship. Each year, a survey is carried out on how well these expectations have been met and whether business partners have any grievances to air. The survey outcomes are given priority at Board Level and action is taken to resolve any grievances speedily. Once in three years, we also commission an independent third party survey to ascertain the extent to which the Group has fulfilled business partner expectations.

The accolades we have received from our strategic business partners stand testimony to the Group's ability to meet business partner expectations. Among those accolades were recognition awarded by TATA Motors Limited for Highest Growth in Market Share 2017 – MHCV Trucks, Best Spare Parts Retail Network Development 2017 and Best Initiative in Customer Engagement 2017 – Category A (Refer page 87 for more details on Group's awards and accolades)

Adhering to internationally recognised business practices

The quality of relationships maintained with business partners is in sync with the standards maintained throughout the Group's value chain, and are governed by DIMO's Quality Management System, environmental management system and social management system which are ISO 9001:2015, ISO 14001:2015 and SA 8000 certified respectively.

Capital trade-offs and resource allocation

Building business partner relationships requires significant investments of other capitals and the Group's Annual budgeting process evaluates and decides the level of such investments.

During the year under review Rs. 66 million of monetised capital was invested to conduct engagement sessions with international business partners.

MANAGING THE RISKS AND OPPORTUNITIES

Material risks

Area of Risk	Mitigation Activities
Volatility in government policies affects the Group's ability to achieve its expected performance. This will negatively affect the volume of inputs purchased from business partners.	Each business segment analyses risks that arise from government regulations. Those risks are managed by introducing counter measures such as marketing tools, financing options through strategic alliances and much more. This enables each business segment to achieve their expected performance. (Refer page 92 to 111 for segment information)

Material opportunities detected

Opportunity Detected	How DIMO nurture the opportunity
Our partner network includes a number of leading technological brands in the world. Having close relationships with them provides us the opportunity to capitalise on advanced technology.	We have arrangements with our business partners to train DIMO employees on the latest products and technology they offer. We thereby ensure that intimate technological knowledge is transferred to the Company. During the year under review 143 employees were trained by our business partners.
Our business partners engage in businesses that represent a vast scope of industries. Having quality relationships with them provides the Group easy access to such markets.	Diversification is one of the three aspects identified in the Group's corporate strategy. The diversification strategy identifies areas to which the Group can diversify considering the synergies that can be drawn from existing business segments. In doing so, the support and consultation that may be extracted from international business partners who already operate in such markets are considered to be a material plus point.

HUMAN CAPITAL

BUILDING A CONSTITUENCY OF POWERFULLY ENGAGED EMPLOYEES

THE MATERIAL SIGNIFICANCE OF HUMAN CAPITAL TO DIMO

Employees are a highly cherished stakeholder group, being the providers of the critical attributes that determine DIMO's direction and enable us to perform effectively in our chosen markets. These attributes are level of alignment, value creation capacity and employee engagement, and they form a positive relationship with the Group's ability to create value.

Employees are also unique in that they are the only part of our business which has the potential to grow itself; the Group thus has the opportunity to increase its value creation capacity by investing in the training and development of their abilities. Collaboration with employees is part of DIMO's corporate strategy. Collaboration with employees drives the Group's differentiation strategy, as depicted in the strategy statement on page 29. The statement also notes the magnitude to which the Group's ability to create value is dependent on human capital.

The stock of our employee capital

Number of employees by gender excluding companies acquired during the year

Gender	2017/18	2016/17
Female	167	168
Male	1,564	1,557
Total number of employees	1,731	1,725

Number of employees by gender in companies acquired during the year

Gender	2017/18
Female	16
Male	103
Total number of employees	119

Employees are also unique in that they are the only part of our business which has the potential to grow itself; the Group thus has the opportunity to increase its value creation capacity by investing in the training and development of their abilities

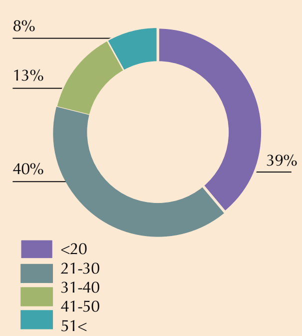
USING OUR HUMAN CAPITAL TO CREATE VALUE

DIMO's human capital management process is driven by "ACE": aligning employee's direction with Group's overall strategy, developing their value creation capacity and improving their engagement with the Group.

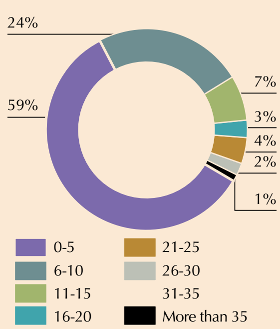
Nine management activities are in place to address these areas as depicted in the diagram below. While these activities directly nurture human capital, the other three activities identified in the business model (page 32) - value chain management, impact management and risk management – indirectly contribute to the growth of human capital.

We believe that improving "ACE" will enable the Group to ensure that employees are satisfied, that their performance keeps improving and their knowledge base is capitalised on, while ultimately leading to a positive impact on their livelihoods. Achieving these outcomes underpins the Group's ability to achieve its overall strategic outcomes.

Employee representation based on their age (as at year-end)



Employees by their service period (as at year-end)



Number of employees by category (as at year-end)

How Human Capital Contributes to Achieve the Group's Overall Strategic Outcomes

Human Capital Inputs

Human capital composition and diversity | Employee engagement | Skills, competencies and knowledge of our employees | Employee health and safety | Mandatory and voluntary compliance

↓

Management Activities to Ensure Availability, Affordability and the Quality of the Human Capital

Employer branding and talent attraction | Performance management system | Talent management | Leadership development | Multi-layered rewarding strategy | Management of employee expectations | Implementation of DIMO Health & Safety Policy

↓

Outputs of Management Activities

Attraction and acquisition of right employees at the right time | Improved employee engagement | Reduced regrettable turnover | Innovation | Zero non compliance

↓

Value Created through DIMO tribe

Improved employee satisfaction | Increased employee engagement | Improved intellectual capital | Increased livelihood

MANAGEMENT ACTIVITIES

Employer branding and talent attraction

Good talent is attracted to good employers; that's why it is important that we brand the Company positively as a model employer and an employer of first choice. By attracting the right talent at the right time, the Group becomes equipped with employees who have adequate capacity to drive its strategies.

Our Employee Value Proposition (EVP) "Making Work Enjoyable and Rewarding", lies at the heart of our reputation. We live this proposition in practice and have been recognized by Great Place to Work Institute as one of the best places to work in Sri Lanka for five consecutive years.

Within our HR Structure, a dedicated unit manages employer branding and candidate management. The unit has implemented several programmes and platforms that ensure DIMO's employer brand is well established and the Group attracts the right talent. Such signature programmes include;

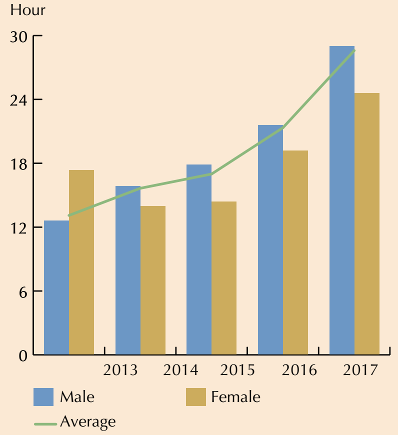
- **Recommend a friend programme (employee referral system)**
- **Campus hiring events (career fairs):** year of 2017/18 we featured ourselves at several career fairs through which we interviewed over 250 undergraduates
- **Future talent internship program:** the percentage of trainees/interns hired has increased from 2.78% to 18.09% in the past six years
- **"I love my job" initiative:** through this campaign, we encourage our tribe to express their thoughts on 'why DIMO is a great place to work' in terms of their job satisfaction and how comfortable they are with the organizational culture.
- **Social media management:** during the year under review our career page acquired over 44,000 likes reaching the total number of likes to 269,433 as at march 2018.

Talent management

We regularly assess the attributes we require of employees for the sustenance of the Group in the short, medium and long term, and we ensure that those attributes are available to us either through external recruitment or internal development.

The Group's annual performance evaluation process identifies each employee's training gaps. Each supervisor, with the support of the HR Division, assesses these training gaps to decide on suitable development methods.

Training hours per employee



Employee training is the main approach to develop internal talent. Such training may take place locally and or overseas, and is conducted by internal or external resource persons and by our foreign principals. A supervisor conducts the follow-up evaluation which measures the effectiveness of each training programme. During the year under review, employees received 49,486 (36,818 in 2016/17) training hours, through 289 programmes, including internal, external and foreign, all of which were funded by the Company (346 programmes were held in 2016/17).

Leadership development

We identify potential leaders and successors of existing leaders and train them to take on more responsible and complex positions in future.

High potential employees who outperform peers continuously in terms of performance and potential are identified, based on 3 years performance ratings obtained at the annual performance review. These employees demonstrate the ability to influence higher performance and possess the ability to align others with the Group's direction.

During the year under review 119 employees (2016/17 – 119) were identified as high potential individuals. Out of them 17 employees were awarded "Executive Leadership Training Programmes" in world's leading business schools.

Performance management

Performance evaluation enables us to track and monitor the performance of individual employees by establishing measurements to ensure the alignment of the Company's goals with individual employee's objectives. By doing so, we not only improve their operational efficiency but also enhance learning and development and employee engagement.

DIMO's performance management process is driven by an online performance appraisal system. Appraisals take place mid-year and at the year end, and include the measurement of the achievement of objectives, a competency review and an assessment of self-development. The feedback received at this review is used to map career growth, identify training gaps and manage rewards. During year under review 130 number of employees (2016/17 – 129) were promoted based on the results of this evaluation process.

Multi-layered rewarding strategy

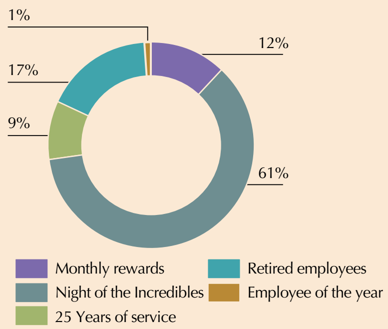
DIMO's reward management strategy is not limited to the financial benefits but expands in to more qualitative aspects such as work environment, development opportunities and recognition. We believe this multi-layered rewarding strategy will keep employees continuously motivated and thereby enhance their value creation capacity and their level of alignment to Group's Strategy.

Company policy recommends competitive remuneration and we engage independent parties to conduct salary reviews against industry standards. Such reviews have revealed that DIMO wage levels are at competitive levels within the industry. We acknowledge and reward employees who go the extra mile and contribute directly towards value creation. Once an employee meets a set of criteria, he is nominated by the head of their business unit and rewarded at the monthly meetings of the Employee Council.

The pinnacle for a member of the DIMO tribe is being honoured as 'Employee of the Year'. This annual award is presented on 'DIMO Night of the Incredibles'. Awards also recognise the best performances in sales, technical and support services. The 'Employee of the Year' is selected out of the three category winners and is awarded a TATA Nano vehicle. The Group Management Committee selects the winners based on a set of pre-determined criteria.

Below graph identifies the number of employees recognised by our signature recognition initiatives.

Composition of total employee rewards



Management of employee expectation

'Employee Voice' is vital in managing employee expectations and as such, we relentlessly encourage employees to speak their minds. We want every one of our tribe members to feel empowered and share their opinions freely so that they are more aligned and engaged.

The process of expectation management involves two way communication between the management and members of our tribe and it must be managed with understanding and care. Among the key aspects involved in this process are grievance handling, transparency, clear communication and the management of employee expectations. The table below identifies approaches through which we reach out to our employees.

Employee training is the main approach to develop internal talent. Such training may take place locally and or overseas, and is conducted by internal or external resource persons and by our foreign principals

Approaches for identifying and managing employee expectations

HR initiative	Description
Employee Council	The Council consists of representatives of all business units, heads of business units and the Group Management Committee (GMC). The Council meets once a month to discuss employee concerns and ways in which business may be improved through better employee relationships. Minutes of these meetings are hosted on the Company intranet and can be accessed by all employees.
HR Clinics	Representatives of the HR Division including the Chief HR Officer, who is also a member of the Group Management Committee (GMC), frequently visit company sites with prior notice, to discuss and resolve employee grievances. These are one-on-one meetings with the purpose of gauging employee pulse while addressing employee issues related to work environment and their job. During the year under review 10 HR clinics (15-2016/17) were conducted.
Periodical visits by the Group Management Committee	The Group Management Committee (GMC) visits every branch once a year where they spend time with the branch team in order to understand their grievances and expectations. This helps tribe members to feel comfortable and has encouraged them to speak up about their concerns. The GMC also shares future plans for the branches and their expectations from employees.
Annual employee engagement and employee satisfaction survey (ESS)	Surveys identify the extent to which employees feel valued, involved and satisfied in their everyday work. The survey asks questions related to the nature of work, career development, working environment, level of alignment to the Group's overall strategy, welfare facilities, interpersonal relations, remuneration and other rewards. The findings of the survey are communicated to senior management and relevant action plans are created to address areas of concern. For the financial year, the engagement survey result was 4.00 (3.88 - 2016/17) while the Employee Satisfaction Index recorded to be 66.30% (64.56% - 2016/17).
Manager Effectiveness Survey	The survey is designed to understand how our supervisors drive our tribe members towards DIMO's vision, how well our strategies are being communicated and to what extent they are inspired by their subordinates. The survey covers areas such as values, behaviour, leadership, communication, support provided, etc. The outcomes are then shared with the Board of Directors.
Whistle Blowing	The Whistle Blowing policy and practice has been established to maintain confidentiality, fairness and impartiality. Most importantly, all complaints will be investigated immediately after receiving. Complaints may be investigated either through internal or external parties, depending on need to establish good governance and fairness in the organization in each case. Concerns can be raised directly with the Chairman, Group CEO, Chief Internal Auditor and Chief Human Resource Officer, whose contact details are provided in the policy.

Management of employee experience

We care what employees' think about their interactions with the Group. A positive perception will increase employee value creation capacity, align them more to Group's strategy and improve their engagement while enhancing the Group's employer brand.

Employees have a positive perception when they have positive experiences during their day to day interactions with the Group. Our rewarding strategy, management of employee expectations and other management activities as discussed in this section, contribute towards creating a positive daily experience.

We go the extra mile to provide our employees a unique and positive experience by organising events which provide them the platform to connect and promote a sense of belonging. Some signature programmes include the 25 Years' Service Award, Night of the Incredibles, Annual Dinner Dance, Vesak Lantern Competition and Christmas Party, among others.

Implementation of DIMO health & safety policy

At DIMO, health & safety is the foremost priority. It is comprehensively addressed in the Group's Risk management section presented from page 132 to 138.

We have in place an occupational health & safety policy which spells out our responsibility to ensure a safe workplace for all our employees, external contractors and visitors. At business unit level, at least one representative at each site is provided first aid training.

Under the terms of our Quality Management System (QMS), in the event of any injury, immediate action must be taken to prevent and correct similar incidents. All incidents and injuries are reported immediately to the HR division. The table below details our track record on health and safety at work.

Capital trade-off

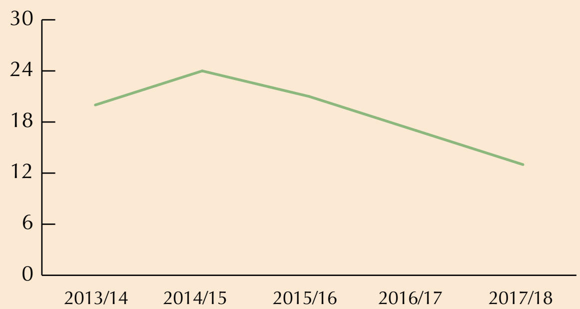
Nurturing human capital to its fullest value creation potential requires significant investments of other capitals. As such, the year under review saw Rs. 69 million worth of monetised capital (2016/17 – Rs.50 million) spent on employee training and development. This investment is expected to contribute to the Group's monetised value creation ability over the medium to long term.

The relationships we maintain with business partners provide us the opportunity to train our employees on their latest technology and products. During the year 143 number of employees were trained by our business partners.

Health and Safety Statistics

Injuries/Diseases/ Fatalities/Lost day/ Absenteeism	2017-18		2016-17		2015/16	
	Total No.	Rate (%)	Total No.	Rate (%)	Total No.	Rate (%)
Injuries	13	0.00043	17	0.00052	21	0.00062
Occupational Disease	Nil	Nil	Nil	Nil	Nil	Nil
Lost Working Days	178	0.0058	68	0.0021	92	0.0027
Work Related Fatalities	Nil	Nil	Nil	Nil	Nil	Nil

Number of Injuries that Caused More Than Three Lost Working Days



MANAGING THE RISKS AND OPPORTUNITIES

Material risks

Area of Risk	Risk mitigation
Employee Health and Safety	The risk is elaborated in Group's Risk Management Section presented from page 132 to 138.
Regrettable Employee Turnover	The loss of high potential employees (as explained on page 80 under the leadership management) to a competitor is considered a greater loss for the Company as they take with them invaluable knowledge and confidential information on the Group's unique processes and customers. Therefore the Group's human resource management activities are geared to ensure that our employees are engaged, trained, rewarded and recognised effectively. (Refer page 78 to 82 for more information on Human Capital Management Activities). This ensures that we meet the expectations of high potential employees, and their job satisfaction is enhanced.
Unacceptable employee behaviour negatively affecting Group's overall brand reputation	The Group's corporate values as presented on page 05 of this report promote ethical behaviour. New employees are educated on the importance of such values during their orientation. Each and every employee is expected to adhere to the Group's code of business ethics which is available on Group's intranet. Any unacceptable behaviour detected is communicated and discussed at monthly employee council meetings. During the year, there were no such material incidents reported.

Key opportunities

Area of concern	Opportunity capitalisation
Talent attraction.	The Recognition received for the Group's best practices underpins the Employee Value Proposition. Winning 'Best Corporate Citizen", "Great Place to work", "HRM Awards", Sustainability Reporting Awards, Annual Report Awards and many more (refer the page 87 of intellectual capital for accolades and recognition) brings us an enhanced brand equity and awareness, which allow us to attract and retain the best talent.

INTELLECTUAL CAPITAL

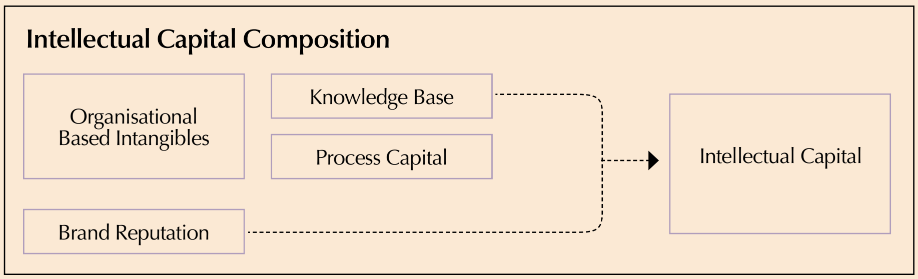
IS THE INVISIBLE STRENGTH THAT SETS DIMO APART

THE MATERIAL SIGNIFICANCE OF HUMAN CAPITAL TO DIMO

79 years of service excellence have enabled DIMO to build a store of intellectual capital, which manifests itself in three intangibles assets - our knowledge base, process capital and brand reputation.

The knowledge base is dependent upon the level of expertise and experience our employees accumulate during their service period at DIMO. It is owned by our employees and is difficult to document and therefore, invaluable. Process capital is made up of the excellence in procedures and systems thorough which we create value, and the culture that shapes the way we create value. Our brand reputation is a reflection of our values and our differentiation strategy comprising of technological excellence, aftercare, effective customer relationship management, market presence and a strong sense of responsibility.

These invisible forces form added value that enhances the value proposition offered by the Group. In essence, they cannot be replicated by our competitors and therefore form a valuable competitive advantage.

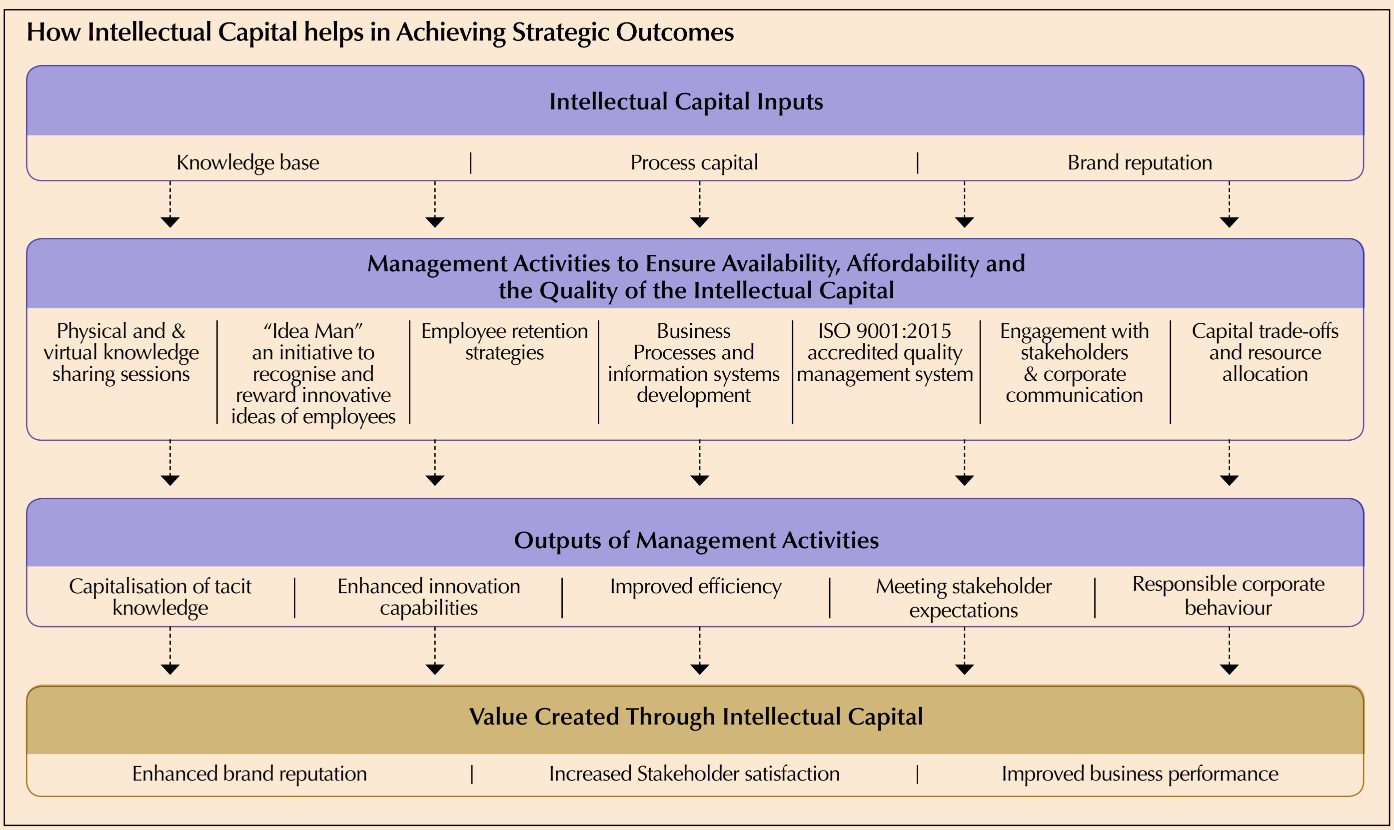


USING INTELLECTUAL CAPITAL TO CREATE VALUE

As depicted in below diagram, capitalisation of tacit knowledge, enhanced innovation capabilities, improved efficiency, meeting stakeholder expectations and responsible corporate behaviour are the key outputs that the Group intends to meet in order to enable the value creation through Intellectual Capital.

Seven management activities are in place to ensure those outputs are met, as the achievement of the desired outputs will strengthen the Group's overall business performance and enable the achievement of strategic outcomes.

We have received many accolades and obtained many accreditations that provides the testimony to the value we have created through Intellectual capital (refer page 87 for the accolades received by the Group).



MANAGEMENT ACTIVITIES

Physical and virtual knowledge sharing sessions

We believe that knowledge gained is only as valuable as its effect and influence on the work we do and therefore we employ knowledge sharing sessions, e-library and extensive training tools to disseminate and document the knowledge gathered. During the year, 12 knowledge sharing sessions, named "Know House", were conducted in order to share knowledge through training and experience.

Our learning management system is an online knowledge sharing platform which reported 1,370 number of visits during the year. "Yammer" an enterprise social networking platform was launched during the latter part of the year to be used as a live forum for discussions and knowledge sharing.

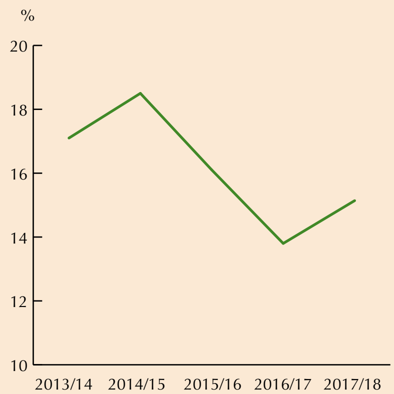
Employee Retention Strategies

Tacit knowledge involves the risk that it departs the organisation when an employee with such knowledge leaves. It's important therefore to identify the stores of tacit knowledge possessed by each employee and to ensure that the most important employees are retained in the Company. DIMO's HR policy enabled high levels of employee engagement and several programmes are in place to ensure talent retention.

We believe that knowledge gained is only as valuable as its effect and influence on the work we do and therefore we employ knowledge sharing sessions, e-library and extensive training tools to disseminate and document the knowledge gathered

Employee turnover is the KPI we use to measure the success of the employee retention strategy. Over the last five years, the Group's employee turnover reduced by 4.31%. Detailed analysis of talent retention is available on page 79.

Employee turnover ratio



"Idea Man" an initiative to recognise and reward innovative ideas of employees

The quality of process capital can be improved through innovation and in this respect, we encourage innovative ideas through the "Idea Man" initiative. The virtual platform allows employees to communicate their innovative ideas to the management; the ideas are analysed for their potential to enhance revenue, productivity and brand reputation, and to reduce costs. Ideas that have a significant positive impact on the Group's ability to create value are recognised at the Group's Annual Employee Gathering. During the year under review, 7 employees were awarded for the excellence in ideas presented.

Business Processes and Information Systems Development

The Group addressed process improvements with the establishment of a central division comprising business analysts and information technology experts. This led to a more integrated approach towards improving and automating systems and processes, and helped reduce inefficiencies in a number of processes leading to an increase in the value of Group's process capital.

The table on the next page presents an account of processes developments during the year.

Process developments during the year

The process Improved	Affected Area of the Business model	Improvements	Investment (Rs million)
"XENTRY" a portal that supports the diagnosis process of vehicles undertaken for services and a service package pricing system	Value Chain Management – Aftersales Business Segment	Central availability of diagnosis data, labour and parts information of a vehicle repair job. Mobile enabled check list, reduced manual paper work. Availability of accurate and high-quality pricing information on time.	6.1
Automation of Capital Expenditure Workflow	Capital Management – Monetised Capital	Improved availability and accessibility of information Reduced time taken for approvals.	1.5
Automation of IT Help Desk & IT Asset Register.	Value Chain Management – Support Services	Automated dashboards save time of preparing information such as time exceeded jobs and customer feedback recording and analysing.	0.5
Automation of tool Management System – Heavy Machinery Repairs	Value Chain Management – Aftersales Business Segment	Better utilization and management of tools. Proper tracking of calibration of tools and managing disposals reduced capital expenditure on the unnecessary purchase of new tools.	Internal Development.
Automation of transport cost calculation process - DIMO Logistics Centre	Value Chain Management – Delivery	Improved efficiency in report generation. Availability of payment and transaction history improves decision making, transparency, & awareness	Internal Development.
Automation of Talent Acquisition Management System	Capital Management – Human Capital	Availability of single platform for Company-wide recruitments, branding activities, and vacancies. Availability of real-time statistics, 24/7, enabling better decision making. Improved data accuracy through structured data-entering mechanisms.	Internal Development.
Automation of Training Management System	Capital Management – Human Capital	Provide information on employee training and related areas including training cost, time investments, trainer & vendor analyses, real-time training requirement completion analysis and monitoring mechanisms to the senior management.	Internal Development.

The Quality Management System

The Group's quality management system, which is ISO 9001:2015 accredited, is designed to achieve perfection in the processes and systems employed. Such perfection has been capitalised and embedded in our process capital. The Group's slogan "Expect Perfection" provides testimony to the brand reputation we have built by excelling in perfection for over 79 years.

Engagement with stakeholders and corporate communication

We periodically engage with our material stakeholders to identify what matters to them the most. This allows us to ensure that we address such needs and wants on time and adequately. By doing so, we project ourselves as a responsible corporate citizen while protecting and nurturing the brand reputation we have accumulated. (Refer pages 34 to 35 for the details on stakeholder engagement). A dedicated team is in place to build and protect DIMO's corporate image; their mandate is to ensure any risk related to corporate image is identified and treated on time.

Ashish Mishra
Managing Director, Interbrand India

"DIMO is undoubtedly one of Sri Lanka's most respected and leading brands. The amount of trust that the brand enjoys amongst its customers, and the amount of pride it generates amongst its employees is almost unparalleled. It has been our privilege to be associated with one of the leading lights of Sri Lanka's industry, and help them strengthen their brand

Capital trade-offs and resource allocation

Intellectual capital is non monetised; it is stored in the in the unspoken norms and culture of the organisation. While it does not have the visibility of other capitals, it does require investments of other capitals to ensure that it contributes towards competitive advantage. During the year, the Group invested Rs. 29 million to upgrade the technology used in systems and processes, which we believe contributed towards increased operational and management efficiency.

The relationship maintained with business partners enables the Group to educate its employees on the advanced technological products developed by the principals. During the year 143 employees were trained, generating considerable value to the Group's knowledge base.

MANAGING RISKS AND OPPORTUNITIES

Material risks identified

Area of Risk	Mitigation activities
An employee with a pool of accumulated knowledge leaving the organisation and joining a competitor.	The Group's employee retention policy is explained on pages 78 to 82
Negative Impact to the Group's brand reputation due to non-compliance with rules and regulations.	Conformance is discussed in detail in the Enterprise Governance report from pages 40 to 52.

Material opportunities detected

Opportunity	How DIMO nurture the opportunity
The growth in technology has enabled cost efficient knowledge sharing practices.	The Group recently launched an internal social network which provides our employees the platform to share knowledge and host discussions live.

AWARDS AND ACCOLADES RECEIVED

Award	Place	Received in	Awarding Institute
National Award for Quality and Productivity	Gold	Jun/2017	Sri Lanka Association for the Advancement of Quality and Productivity
Top 25 Companies to Work for in Sri Lanka	Top 25	Jun/2017	Great Place to Work Institute – Sri Lanka
Best Place to Work for in Sri Lanka	Gold	Jun/2017	Great Place to Work Institute – Sri Lanka
Best in Large Sized Enterprise category	Silver Award	Jun/2017	Great Place to Work Institute – Sri Lanka
Excellence in People Initiatives – Training and Development	Winner	Jun/2017	Great Place to Work Institute – Sri Lanka
Cube Award - Best Wellness Program	Winner	Jun/2017	Great Place to Work Institute – Sri Lanka
Laureate Status for Being a Great Place to Work for Five Consecutive Years	Winner	Jun/2017	Great Place to Work Institute – Sri Lanka
CMA Excellence in Integrated Reporting Awards 2017 - Overall Winner	Gold	Jul/2017	Institute of Certified Management Accountants of Sri Lanka
CMA Excellence in Integrated Reporting Awards 2017 - Most Concise Report	Gold	Jul/2017	Institute of Certified Management Accountants of Sri Lanka
CMA Excellence in Integrated Reporting Awards 2017 - Ten Best Integrated Reports	Ten Best Integrated Reports	Jul/2017	Institute of Certified Management Accountants of Sri Lanka
CMA Excellence in Integrated Reporting Awards 2017 - Industry & Commerce	Winner	Jul/2017	Institute of Certified Management Accountants of Sri Lanka
Sri Lanka Best Employer Brand Awards 2017 - Best Employer Brand Award	Winner	Jul/2017	World HRD Congress
Sri Lanka Best Employer Brand Awards 2017 - Award for Talent Management	Winner	Jul/2017	World HRD Congress
Presidential Environmental Award	Merit Award	Oct/2017	Presidential Environmental Awards Organized by the Central Environmental Authority
International Brand of the Year - SLIM Brand Excellence Awards 2017 -Mercedes Benz	Silver Award	Nov/2017	Sri Lanka Institute of Marketing
Overall Excellence in Annual Financial Reporting	2nd Runners Up	Dec/2017	The Institute of Chartered Accountant of Sri Lanka
Integrated Reporting Award	Gold	Dec/2017	The Institute of Chartered Accountant of Sri Lanka
Integrated Reporting- Special Award : Capital Report	Bronze	Dec/2017	The Institute of Chartered Accountant of Sri Lanka
Diversified Holdings (Groups up to 10 Subsidiaries)	Gold	Dec/2017	The Institute of Chartered Accountant of Sri Lanka
Management Commentary Award	Silver	Dec/2017	The Institute of Chartered Accountant of Sri Lanka
ACCA Sustainability Reporting	Overall Winner	Feb/2018	The Association of Chartered Certified Accountants
ACCA Sustainability Reporting - Retail and Trading Category	Winner	Feb/2018	The Association of Chartered Certified Accountants
Highest Growth in Market Share 2017 – MHCV Trucks	Winner	Feb/2018	TATA Motors Limited.
Best Spare Parts retail Network Development 2017	Winner	Feb/2018	TATA Motors Limited.
Best Initiative in Customer Engagement 2017 – Category A	Winner	Feb/2018	TATA Motors Limited.

NATURAL CAPITAL

HOW DO WE PROTECT AND ENHANCE NATURAL CAPITAL FOR THE FUTURE?

MATERIAL SIGNIFICANCE OF NATURAL CAPITAL TO DIMO

The definitive quality of natural capital is its scarcity; it is a shared resource where ownership is shared with the public (other than for lands owned by the Group). By nature, the availability, quality and affordability of the capital cannot be substantially controlled by DIMO.

The fortunes of our investments into the agricultural sector, encompassing fertilisers, agro chemicals and seeds operations, are heavily linked to environmental factors. Consequently, the Group's dependency on Natural Capital has amplified, as our ability to create value is now affected by the quality and availability of natural capital. (Refer page 107 for details on agriculture business segment)

Having recognised the greater importance of natural capital to the Group's operations, the management has henceforth named Natural capital as a capital input in the Value creation Model.

HOW WE'RE USING OUR NATURAL CAPITAL RESOURCES TO CREATE VALUE

The natural capital inputs into our operations include water and land, which are extracted directly from the environment, while energy and some key material inputs are extracted from non-renewable natural resources. The scarcity of these resources necessitates us to be responsible and accountable for their efficient and effective use, and their preservation for future generations.

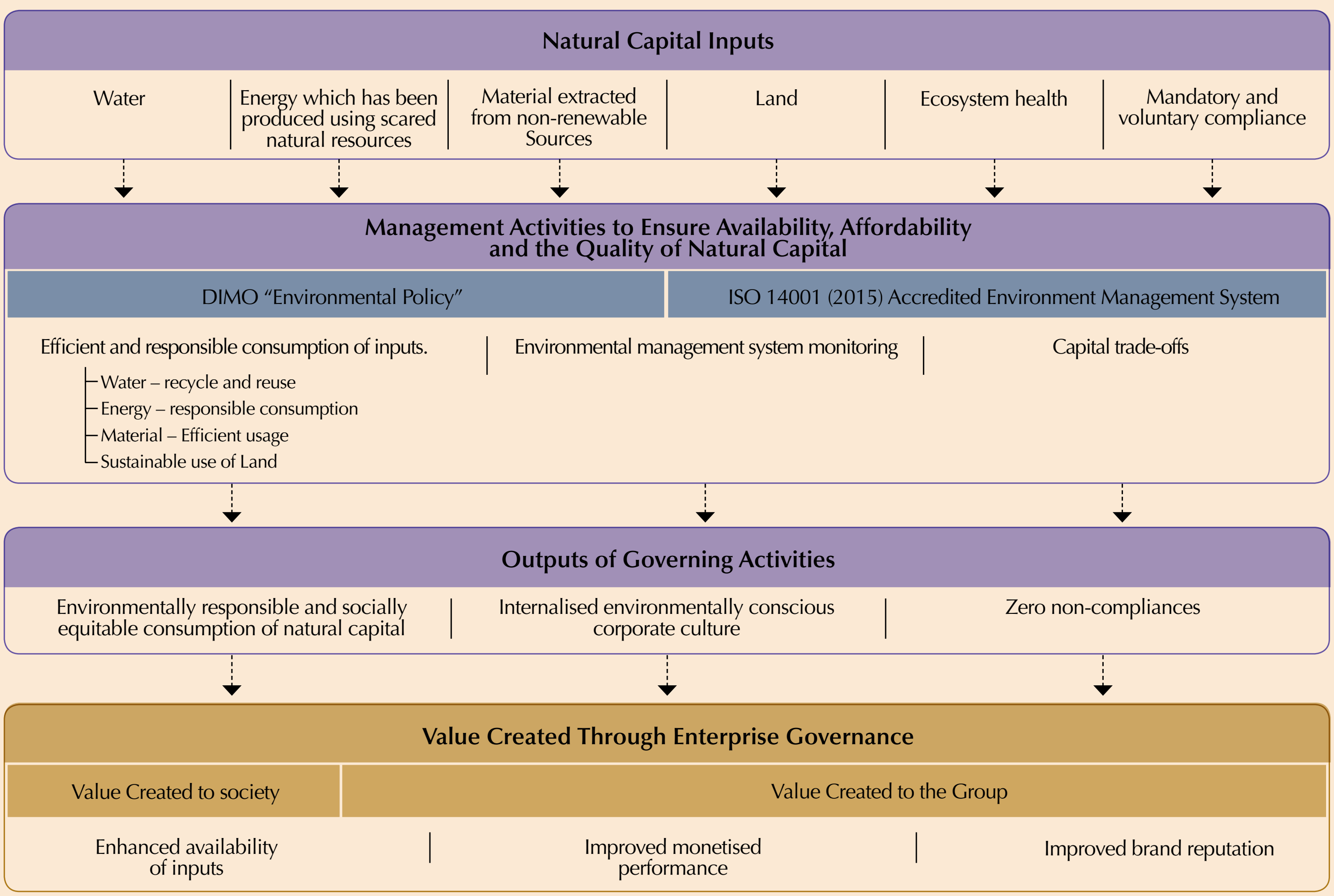
We have employed prudent business and service processes that ensure environmentally responsible and socially equitable consumption of Natural Capital across the entire value chain. Such processes take place within our Environmental Management System, which is ISO 14001:2015 accredited, and our environmental policy.

MANAGEMENT ACTIVITIES

DIMO Environmental Policy

DIMO's Environmental Policy sets forth our commitment to create value by building, managing and nourishing natural capital. The policy communicates our corporate thinking to our stakeholders and reinforces our commitment towards the Sustainable Development Goals.

How Management of Natural Capital Helps in Achieving Strategic Outcomes



Environmental Management System (EMS)

The Environmental Management System (EMS) has evolved from the Environmental Policy and is accredited by the latest version of ISO 14001:2015.The EMS is the primary point of reference for the conformance aspects related to natural capital management (Refer page 40 on Enterprise Governance Report for the "Point of Reference table"). It ensures the responsible consumption of resources, impact minimisation, and regulatory compliance throughout the lifecycle of the value chain.

The EMS is monitored and implemented by the Group's Sustainability Committee, while the Stakeholder Interactions and Compliance team facilitates its implementation and data collection, data analysis, independent assurance and physical inspection.

Efficient and responsible consumption of inputs

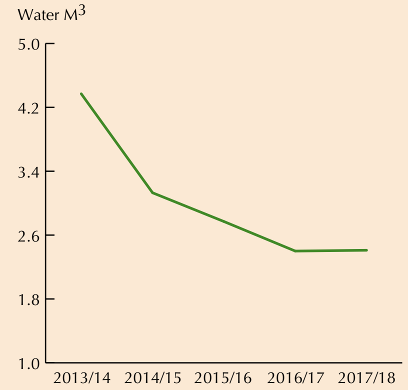
Water – recycle and reuse

Wherever possible, DIMO strives to use lower volumes of water or recycled water to minimise our use of the resource. During the year, the Group utilised 2.41 M3 (2.40 M3 - 2016/17) of water to generate Rs. one million turnover. Over the last five years, we have noted a 45% reduction in this area. During the year, the Group consumed 104,795 M3 (112,875 M3 - 2016/17) of water for its operations.

All of DIMO's main workshops now operate state-of-the-art water treatment and recycling plants and the Group thus recycled about 8% of the total water used for our activities during the year. 26% of the ground water consumed (23% in FY 2016/17) was recycled and reused.

The rain water harvesting system located at DIMO Logistics Centre – Weliweriya, collects rainwater which is then filtered through a carbon and sand process, before being used for operational activities including vehicle washing. During the year 334M3 (535M3 in FY 2016/17) of rain water was collected and utilised for operations.

Water M^3 used to generate one million turnover



The table below identifies the main sources of water used in operations and provides the statistics for water re-used.

Total volume of water withdrawn

Description	Water Usage (M3)			Reused Water (M3)			Reused Percentage (%)		
	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16	2017/18	2016/17	2015/16
Municipal Water	69,959	71,174	70,789	2,902	3,049	1,871	4.1	4.3	2.6
Ground water	34,502	41,166	33,151	5,920	7,046	5,878	17	17	18
Rain Water Harvesting	334	535	109	-	N/A	N/A	N/A	N/A	N/A
Total	104,795	112,875	104,049	8,822	10,095	7,749	8.4	N/A	N/A

Responsible consumption of energy sourced from non-renewable natural resources.

We make a great effort to manage our use of energy from non-renewable scarce sources, such as electricity, diesel, petrol, and LP gas. While our consumption of these resources is proportional to throughput levels and turnover, we take many initiatives to ensure energy is consumed efficiently throughout the value chain. Such activities include the following:

- The Bosch Diesel Centre and DIMO 800 are LEED Gold certified Green Buildings. DIMO 800 which spans16, 000 square meters of built area, consumes 25% less energy than a traditional building.
- DIMO is accredited by the Sri Lanka Sustainable Energy Authority to conduct energy audits; and during the year, an in-house energy audit was carried out at our Siyambalape site.
- On an ongoing basis, we also take measures such as maintaining air conditioning at 24o C; programming all computers to revert to standby mode within a five-minute idling period; replacing incandescent lighting with CFL and LED technology, and inculcating a culture of 'switching it off' when not in use. All future buildings will be planned to exploit natural light.

1.76 GJ (2016/17 – 1.67 GJ) of energy was used to generate one million turnover during the year. The Group has noted a 30% reduction in this area over the last five years. The total energy consumption in the form of diesel, petrol, LP gas and electricity was 76,519 GJ (2016/17 – 74,652GJ) during the year. The table below identifies the level of energy used under each type, their intensity ratios and year to year variances.

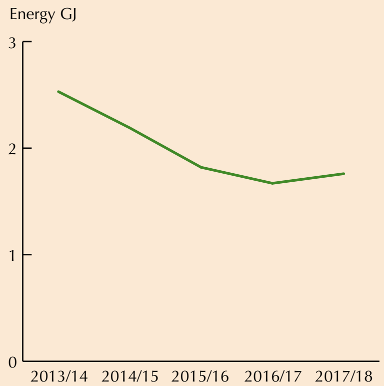
Wherever possible, DIMO strives to use lower volumes of water or recycled water to minimise our use of the resource...

Total Energy Consumption

Description	Units	Consumption			Energy Intensity Ratio from Full-time Employees	
		2017/18	2016/17	% Change from P/Y	2017/18	2016/17
Diesel for Vehicles	GJ	28,338	29,333	-3.39	15.31	17.00
Diesel for Generators	GJ	1,344	1,042	28.98	0.726	0.60
Petrol for Vehicles	GJ	33,508	29,875	12.16	18.11	17.32
LP Gas	GJ	530	521	1.72	0.286	0.30
Electricity	GJ	12,792	13,882	-7.85	7.838	8.05
Total	GJ	76,512	74,653	2.49	41.36	43.27

(Note –units of energy consumed consist 315Gj of energy consumed by newly acquired subsidiaries during the year, calculated on proportionate basis)

Energy (GJ) used to generate one million turnover



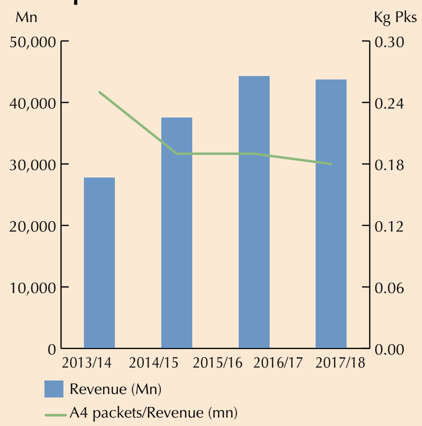
Efficient Usage of Materials extracted from Scarce Natural Resources.

The group's material consumption volumes correlate positively with workshop throughput. However, many of the materials are manufactured using scarce natural resources which require us to be responsible in their usage. Key materials used in our workshop activities such as kerosene, lubricants, floor carpets, cotton waste, paint and lacquer recorded a significant increment in usage compared to last year. The 9 % increment in revenue generated by our aftercare segment contributed to this increase. (Refer page 98 for the performance details of aftercare segment)

Materials used by weight or volume

Materials used by weight or volume	Unit of measurement	Renewable or Non-Renewable	2017/18	2016/17	Year to Year Variance
Kerosene	Ltr	Non Renewable	50,339	37,738	33%
Lubricants	Ltr	Non Renewable	295,356	215,279	37%
Floor carpets	Nos	Non Renewable	75,034	60,000	25%
Cotton waste	Kg	Non Renewable	34,201	41,879	-18 %
Paint	Ltr	Non Renewable	4,484	3,884	15%
Lacquer	Ltr	Non Renewable	603	467	29%
Thinner	Ltr	Non Renewable	14,917	13,921	7%
Putty	Kg	Non Renewable	1,949	2,110	-8 %!
Filler	Ltr	Non Renewable	1,057	1,328	-20%
A4	Pkts	Renewable	7,768	8,215	-5%

Turnover and Kgs of A4 papers used per Rs 1Mn turnover

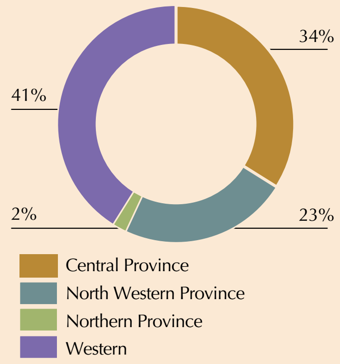


Sustainable use of lands

During the year, DIMO expanded operations to new geographical locations and thereby recorded a significant growth in the land area used. The new land areas include water sources and are home to trees and animals that help promote biodiversity. We must therefore use the lands responsibly to ensure their sustainability and future prosperity.

The waste management system, which is discussed from page 121 to 122, ensures that the habitat of those lands faces minimal harm and any sources of ground water are protected. None of our operational sites, whether owned, leased or managed, are adjacent to protected areas and areas of high biodiversity value. The Group's land portfolio is detailed on page 176 of Notes to the financial statements. The geographical overview of the lands owned by the group is presented below.

Composition of Land owned by the Group based on province



Eco-system health

A Healthy eco-System has a positive effect on the performance of the Agricultural sector, which involves substantial natural capital inputs. We are committed to the promotion of ecosystem health by taking multiple measures to minimise the adverse effects of our operations on the environment (Refer page 121 to 122 for the information on Group's discharge management). Furthermore, our voluntary investments towards environmental conservation also promote ecosystem health (Refer page 1225 for information on voluntary investment on environmental conservation projects).

Monitoring of environmental management system

DIMO monitors the effectiveness of the Group's Environmental Management System (EMS) through two bi-annual internal audit rounds, followed by management reviews. The periodic reviews carried out against mandatory compliance requirements ensure that no deviations take place within the Group. Internal audits are performed by a trained cross-functional team representing all the divisions of DIMO. The effectiveness of the environment management system is evaluated and verified by an external accreditation body annually.

During the year, no fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations were reported.

Capital Trade offs

Maintaining an effective Environmental Management System requires investments of other capitals. The adequacy of these investments are reviewed by the Group Management Committee (GMC) during their reviews. During the year under review Rs. 830, 8567 of monetised capital was invested in internal audits to assure the proper functioning of the Group's Environmental Management System. 286 number of voluntary human hours were invested by our employees to conduct these audits. Rs. 17.1 million of monetised capital has been invested to build water recycling plants and rain water harvesting plants in the last 5 years.

RISKS THAT THREATEN AND OPPORTUNITIES THAT STRENGTHEN NATURAL CAPITAL

Area of Risk	Risk Mitigation	Opportunities arising from risk areas
The constant changes in the climate have resulted in unexpected natural disasters which affect the supply of energy and water for operations.	All our business locations are equipped with generators to supply electricity when needed. The group utilises water from multiple sources such as municipal water supply, rain water harvesting systems, ground water wells and water recycling plants, thereby reducing the risk of dependence on a single water source. More details of water consumption from each of these sources are discussed on page.	The likelihood of sudden power cuts due to natural disasters is high in Sri Lanka. This requires energy backups to continue daily routines. We have identified an opportunity to collaborate with our business partners to offer high tech generators to the Sri Lankan Market. More details on this business segment are reported from page 92 to 111 of Value chain management section.
The volatility in energy prices has a negative impact on the Group's bottom-line.	The Group's energy consumption related positively to its operations. However, we also have multiple ways to ensure energy is consumed efficiently. Refer page 89 for more information on activities in place to ensure efficient usage of energy.	The volatility of energy prices has created a demand for renewable energy sources and energy efficient products. The Group is able to capitalise on this opportunity by offering electric vehicles and energy efficient tools to the Sri Lankan market. Refer page 119 for more details on these businesses. Further the Group is in the process of analysing the feasibility of future expansions into renewable energy egeneration. This will enable the Group to contribute to the local electricity supply via a non-renewable source.

MANAGEMENT OF VALUE CHAIN

This section describes our industry segments and how they have performed in the year under review. In this section we also discuss the value chain, the impacts, the capital inputs, risks, opportunities and other aspects with regard to each business segment.

ECONOMIC ENVIRONMENT

Indicator	Effect to DIMO	Measure
GDP growth rate	A higher GDP growth rate improves business sentiment, while positively impacting the performance of the Group as DIMO's product portfolio comprises a large offering of capital equipment.	The Sri Lankan economy recorded a growth of 3.1% in real terms for the year 2017, compared to the growth of 4.5% in 2016.
Interest rates	Interest rates impact on DIMO in two ways. Lower borrowings cost can act as a catalyst to fuel demand for motor vehicles and other capital equipment that we sell. Secondly it has a direct bearing on the Group's cost of funding.	The Average Weighted Prime Lending Rate (AWPR) decreased from 11.79% at the beginning of the year to 11.55% as at 31st March 2018.
Inflation rate	By boosting households' "disposable income" lower inflation will almost definitely encourage higher spending, and raise the headline growth rate higher than it otherwise would have been. Low inflation may also mean it's less likely that the Central Bank will raise its policy rates	The overall rate of Inflation, as measured by the National Consumer Price Index (NCPI) on a year on year basis was 2.2% as at the end of March 2018 (8.6%% in 2017) and the Annual average inflation rate was 5% (5.6% in 2016)
Depreciation of the LKR	The depreciation of the Rupee against the USD and Euro has a material impact on Group transactions denominated in these currencies.	The Rupee depreciated against the US Dollar to Rs. 155.97 as at 31st March 2018 compared to Rs. 151.99 in the previous year. The Euro was Rs 192.22 as at 31st March 2018 compared to Rs. 162.36 in the previous year.
New motor vehicle registrations	Number of new motor vehicles registered is an indicator of the market size for motor vehicles	Registration of vehicles, excluding two and three wheelers, reduced to 4.6% from 96,051 to 91,632 units during the year 2017.
Transportation sector growth	Growth in transportation sector has a direct impact on the vehicles after services business.	The Transportation Sector grew by 2.5% in 2017, albeit at a slower rate, compared to 4% growth in 2016.
Construction sector growth	The growth in this sector is an indicator of the of the market potential for Construction & Material Handling related businesses	The construction sector, slowed down to record a growth of 3.1% compared to an expansion of 8.3% in 2016. The growth in construction activities was supported by the infrastructure projects, and large scale residential and mixed development projects.
Health sector capital expenditure	The Government and the private sector are customers of the Bio-Medical Engineering business. Capital expenditure of the Government in the health sector and the private sector investments are key indicators for the demand in Bio-medical Equipment.	Health sector capital expenditure increased to Rs. 35.5 billion in 2017 from Rs.30.7 billion in 2016.
Industrial sector growth	Industrial sector is a key target segment for DIMO.	The value added of Industry activities grew by 3.9% in 2017, compared to 5.8% growth in 2016.
Water and energy	Government investment in water and energy has an impact on the fortunes of the Power Engineering and Fluid Management businesses.	Total electricity generation increased by 3.7 per cent to 14,671 GWh in 2017, from 14,149 GWh in the preceding year. During 2017, the National Water Supply and Drainage Board (NWS&DB) provided 126,701 new water supply connections, raising the total number of connections to 2.2 million by end 2017, reporting a growth of 6.1 %over the previous year.
Agricultural sector growth	This is a new sector that DIMO entered into	Severe drought conditions that prevailed particularly in the major cultivation areas hindered the growth in agriculture activities resulting in a contraction of this sector by 0.8% in 2017 compared to 3.8% contraction in 2016.

VEHICLE SALES

Vehicle Sales is a key business segment of DIMO, offering best in class vehicles to the Sri Lankan market. The segment's automobile portfolio includes brand new passenger vehicles, four wheel drive vehicles, commercial vehicles, special purpose vehicles and pre-owned vehicles. The diversity of the portfolio serves as a key differentiator for DIMO within the country's automobile industry. We have built relationships with best in class vehicle manufacturers to import a range of passenger and commercial vehicles to Sri Lanka.

We fill the gap between Sri Lankan automobile requirements and the international brands we represent through a carefully built value chain. As depicted below, the value chain adds value to our customers at each level. The value created by the vehicle sales segment is further enhanced by our focussed customer care and reliable and convenient after sales services.

BUSINESS OUTLOOK

The upward trend in interest rates, fluctuations in exchange rates, the Loan to Value ratio applicable to vehicle financing and prevailing high tariffs on vehicles may impact the demand for commercial vehicles and passenger cars in the short term. The segment is well equipped to transform to meet the target of the government where all vehicles in the country should be powered by non-fossil fuel sources by 2040.

Industry Specific Indicators

Economic Indicator	Impact to the Segment
Registration of vehicles, excluding two and three wheelers, reduced by 4.6%	Indicates a reduction in market size
Transportation sector grew by 2.5%.	Indicates an increment in demand for vehicles after services.

PERFORMANCE SNAPSHOT

Revenue (Rs. million.) 26,497 In 2016/17 - 29,570	**Contribution to the Group's Revenue** 60.7% In 2016/17 - 66.5%
Segment result (Rs. million.) 1,365 In 2016/17 - 1,748	**Contribution to the Group's overall segment result** 42.5% In 2016/17 - Rs. 53.9 %
Carbon footprint (tCO_2e) 2,021 In 2016/17 - 2,461	**Carbon emission** (tCO_2e) to generate Rs. 1 Mn revenue 0.08 In 2016/17 - Rs. 0.09
Water footprint (M3) 24,006 In 2016/17 - 22,569	**Water footprint** (M3) to generate 1 Mn revenue 0.91 In 2016/17 - 0.76
Energy consumption (GJ) 19,885 In 2016/17 - 22,445	**Energy consumption** (GJ) to generate 1 Mn revenue 0.76 In 2016/17 - 0.75
Number of Job opportunities 299 In 2016/17 - 349	**Customer Satisfaction Index** 90% In 2016/17 - 87%

> The diversity of the portfolio serves as a key differentiator for DIMO within the country's automobile industry. We have built relationships with best in class vehicle manufacturers to import a range of passenger and commercial vehicles to Sri Lanka

Key Risks

Key Risk	Mitigation Activity
The vulnerability of the automobile market to interest rates and tariff	Strategic alliances with financial institutions to offer affordable financing options
Competition from grey imports	A value chain that differentiates the segment products those from its competitors

Key Opportunities

Key Opportunity	Risk Capitalisation Strategy
Global attention to green products	Collaboration with business partners to introduce fuel efficient and environmentally friendly vehicles to the Sri Lankan market.
Increased demand for high technology vehicles	Collaborate with business partners to introduce new vehicle models with advanced technology

Contribution To Sustainable Development

Aspect Contribution	Key SDGs
Affordable commercial vehicles that promote entrepreneurship	8 DECENT WORK AND ECONOMIC GROWTH
Job creation and economic activities outside Western Province	10 REDUCED INEQUALITIES
Affordable passenger vehicles that improves livelihood.	1 NO POVERTY

SEGMENT VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS

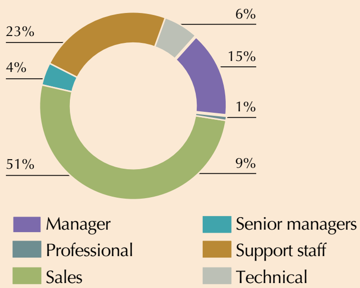
Value chain	Impact assessment
Efficient order construction that ensures the availability of a range of choices	Contribution to government income via tariff (Page 117)
Pre-delivery inspection for superior quality	Product Stewardship (Page 127)
Availability through well organised vehicle stock management	Carbon Emission (Page 122)
Communication and value proposition enhances awareness	Ethical Marketing (Page 127)
Transfer of ownership	Contribution to economic development through affordable products that promote entrepreneurship (Page 128)
Sense of assurance through fulfilment of warranty obligations	Carbon emissions, effluents and waste in workshops (Page 122)

KEY CAPITAL INPUTS TO THE SEGMENT

Human Capital

The number of employees for the year end is 299 (2016/17 – 349). The manner in which they were engaged in the segment's operations is presented below.

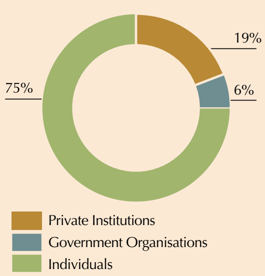
Employee Profile



Relationship Capital-Customers

Individual customers represent 75% of the segment's customers from high, middle and lower income levels. Refer Customer Capital Management Report from page 70 to 74 for more information on our customer capital.

Customer Profile



Relationship Capital - Business Partners

Brand Portfolio

Long lasting relationships with best in class principals provide world class vehicles backed by superior technology and a secure supply chain. (For more details refer business partner Capital Management Report from page 75 to 77)

Key Business Partner Relationships	Longevity of relationships (Years)
Daimler AG	79
TATA Motors Ltd	57
FCA International Operations LLC	14

Monetised Capital

The highest amount of monetised capital is invested is in the Vehicle Sales Segment.

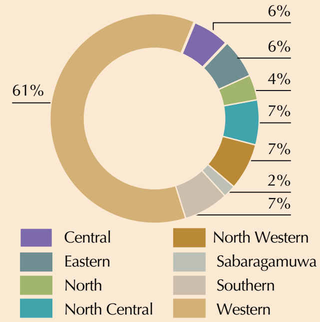
Area of monetised capital Investment	2017/18 Rs. Mn	2016/17 Rs. Mn
Total segment assets as at 31st March	6,810	6,268
Managing relationships with customers	147	146
Shared with employees	623	543
Managing relationships with business partners.	8	5

SEGMENT PERFORMANCE

Higher Participation in Economic Activity Outside the most Populated Provinces

Out of all the segments Vehicle Sales segment recorded the highest turnover outside the Western Province, which indicates a higher participation in economic activity outside the most populated provinces, thereby contributing to community development.

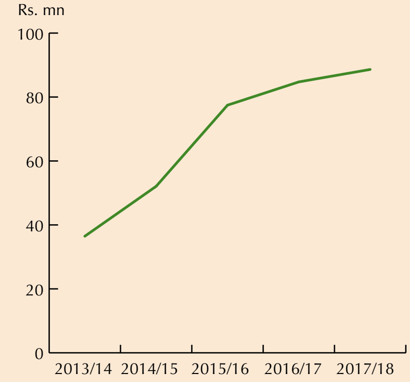
Geographical Distribution of Revenue Generation (%)



Employee Productivity

Net revenue per employee is the indication of employee productivity of the segment. We notice a significant increment in employee productivity over the last five years. Investment of monetised capital on training and development is a key contributor to this improvement.

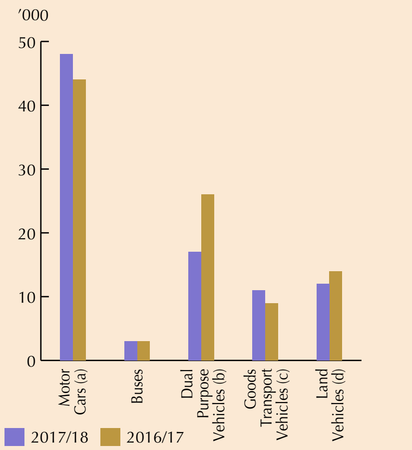
Net Profit Per employee



Out of all the segments Vehicle Sales segment recorded the highest turnover outside the Western Province, which indicates a higher participation in economic activity outside the most populated provinces

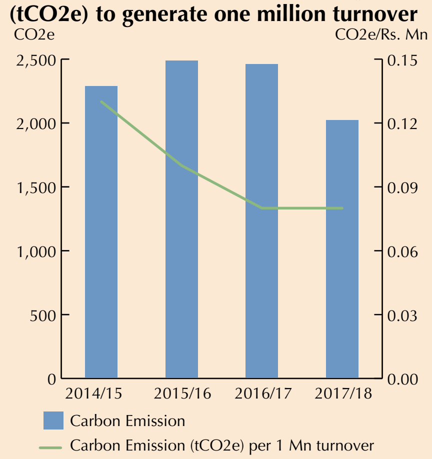
Industry Performance – Vehicles Registered

Number of vehicles registered in Sri Lanka



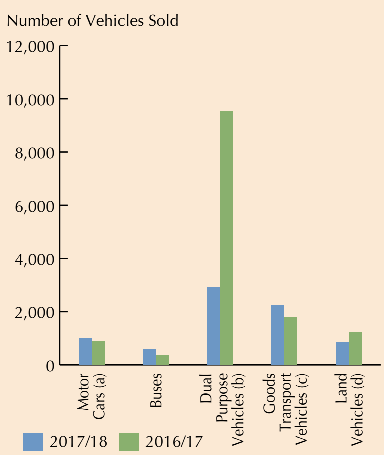
Carbon Footprint and Intensity

Carbon Emissions and Carbon Footprint (tCO2e) to generate one million turnover



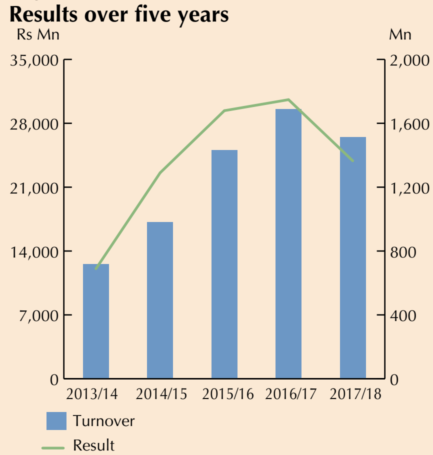
Segment Performance – Vehicle Sales

Vehicles Sales of the Segment



Segment Turnover and Results for Five Years

Segment Turnover and Results over five years



VEHICLE AFTER SERVICES

The segment provides franchise spare parts and services for the aftercare markets of passenger vehicles and commercial vehicles. The parts business includes a range of spare parts, vehicle accessories and components for vehicles for which we hold the franchise in Sri Lanka. In addition to parts, service revenues from our state-of-the-art Mercedes Benz Centre, island wide network of DIMO workshops and the LEED Gold certified BOSCH Diesel Centre and Car Service Centre are also included in the vehicles – after services segment.

We fill the gaps in the spare parts requirements of the international brands we represent through a carefully designed and executed value chain designed to add value to our customers at each level, as depicted in the diagram on the next page. The spare parts are made available to customers through our branches and island-wide distributor network.

Our workshops provide aftercare using state-of the art technology, equipment and tools. The trained and skilled workforce, original spare parts, advanced diagnostic equipment, tools, and on-line connectivity to manufacturers' guides provide an attractive value proposition to our customers, who seek reliable after care services.

BUSINESS OUTLOOK

The new vehicle emission regulations have resulted in an increased demand for diesel fuel injection parts. As a result, there has been an enhanced demand for genuine vehicle parts.

New and ongoing infrastructure developments such as road construction will result in an increase in the running mileage of vehicles. This is expected to increase the number of repairs made by vehicle owners, leading to an impact on the automobile spare parts business as well.

We believe the investments we have made in the segment will continue to fuel the growth of the segment. Adequate training to improve technical skills of employees and continuous investments in technology will keep the Aftercare Service segment differentiated from other market participants.

PERFORMANCE SNAPSHOT

Revenue (Rs. million.) 3,883 In 2016/17 - 3,502	**Contribution to the Group's Revenue** 8.9% In 2016/17 - 8.0 %)
Segment result (Rs. million.) 724 In 2016/17 - 723	**Contribution to the Group's overall segment result** 22.5% In 2016/17 - 22.3 %
Carbon footprint (tCO2e) 2,129 In 2016/17 - 2,180	**Carbon emission** (tCO2e) to generate Rs. 1 Mn revenue 0.55 In 2016/17 - 0.62
Water footprint (M3) 49,187 In 2016/17 - 43,867	**Water footprint** (M3) to generate Rs. 1 Mn revenue 12.67 In 2016/17 - 12.53
Energy consumption (GJ) 20,103 In 2016/17 - 18,509	**Energy consumption** (GJ) to generate 1 Mn revenue 5.18 In 2016/17 - 5.28
Number of Job opportunities 624 In 2016/17 - 599	**Customer Satisfaction Index** 88% In 2016/17 - 88 %

> We fill the gaps in the spare parts requirements of the international brands we represent through a carefully designed and executed value chain designed to add value to our customers at each level, as depicted beside. The spare parts are made available to customers through our branches and island-wide distributor network

Key Risks

Key Risk	Mitigation Activity
Substitute service stations that conduct low cost services for vehicles	DIMO workshops are differentiated by employing high levels of technology in operations, by being responsible and offering extensive customer care.
Competition from grey imports	Our marketing and communication strategy continuously educates customers on the benefits of purchasing genuine spare parts from DIMO.
Attracting skilled labour	DIMO Automobile Training School contributes towards building skilled automobile technicians in Sri Lanka

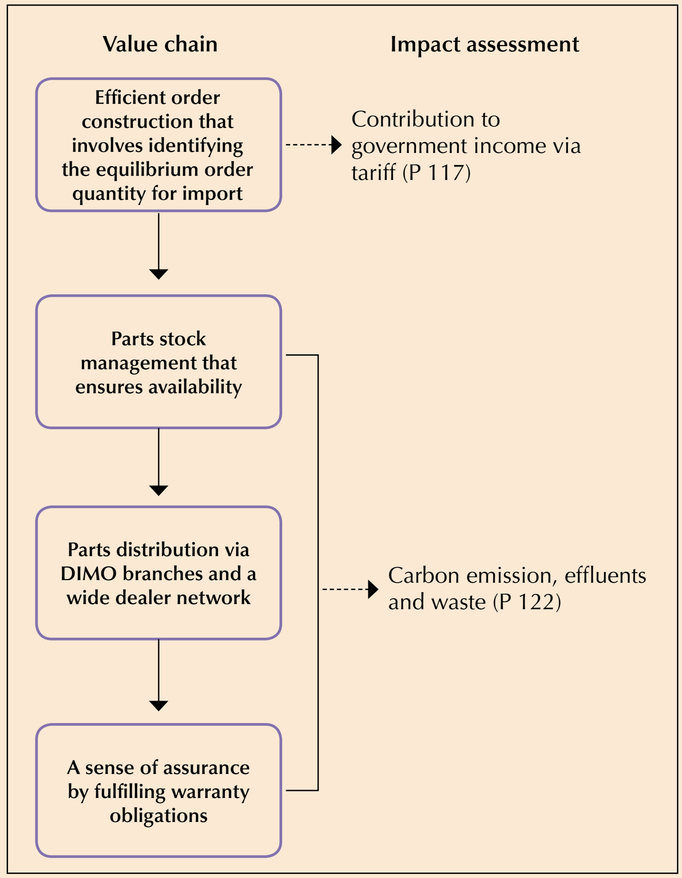
Key Opportunities

Key Opportunity	Risk Capitalisation Strategy
Synergies with vehicles Sales Segment (P 94-97)	The segment utilises the Vehicle Sales Customer Base to promote its products and services.

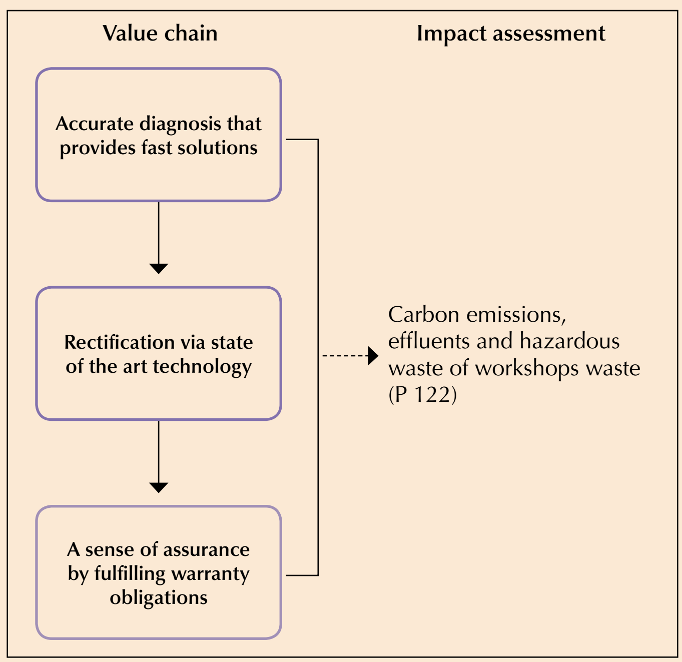
Contribution To Sustainable Development

Aspect Contribution	Key SDGs
Job creation and economic activities outside the Western Province	8 DECENT WORK AND ECONOMIC GROWTH
Encourage innovation through advanced technology	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SPARE PARTS VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS



WORKSHOPS VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS

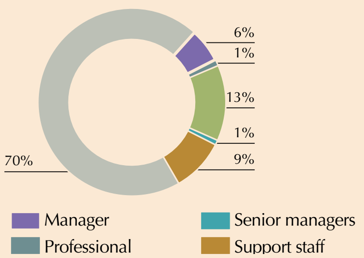


KEY CAPITAL INPUTS TO THE SEGMENT

Human Capital

The number of employees as at year end is 624. (2016/17 – 599). The manner in which they were engaged in the segment's operations is presented below.

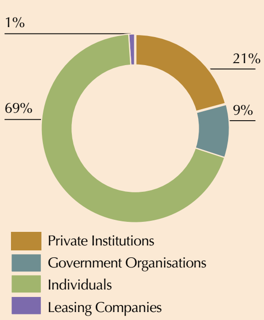
Employee profile



Customer Relationship Capital

The customer portfolio of the segment has two major customer types, individuals and government organisations.

Customer Profile



Business Partner Relationship Capital

Brand Portfolio

Mercedes-Benz The best or nothing.
Jeep
CHRYSLER
TATA MOTORS Connecting Aspirations

Key Business Partner Relationships	Longevity of relationships (Years)
Daimler AG	79
TATA Motors Ltd	57
FCA International Operations LLC	14

Monetised Capital

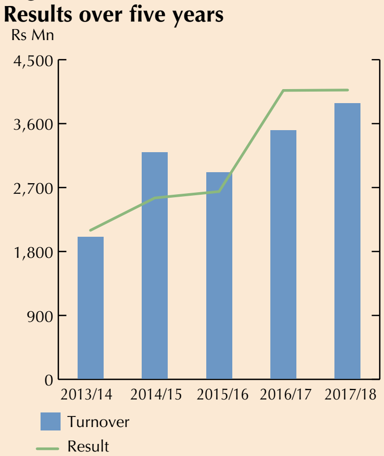
This section identifies monetised capital trade-offs to nurture the other capitals that have been invested in the segment.

Area of monetised capital Investment	2017/18 Rs. Mn	2016/17 Rs. Mn
Total segment assets as at 31st March	2,292	1,719
Managing relationships with customers	23	34
Shared with employees	718	751
Managing relationships with business partners.	3	2

SEGMENT PERFORMANCE

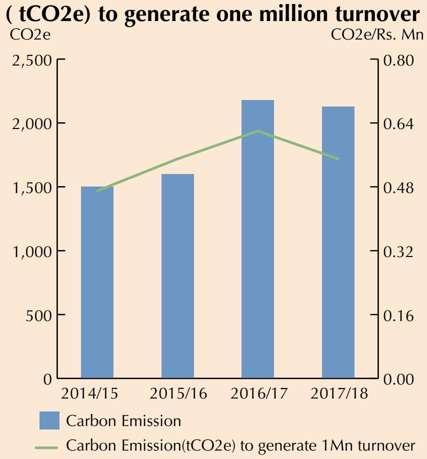
Segment Turnover and Results

Segment Turnover and Results over five years



Carbon Footprint and Intensity

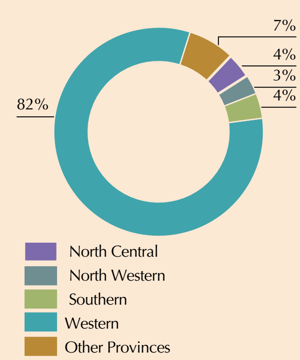
Carbon Emissions and Carbon Footprint (tCO2e) to generate one million turnover



Higher Participation in Economic Activity Outside the most Populated Provinces

Out of all the segments vehicles after service segment made the second highest turnover in areas outside the Western Province, which indicates a higher participation in economic activity outside the most populated provinces thereby contributing to community development.

Geographical Distribution of Revenue Generation (%)



MARKETING AND DISTRIBUTION

The segment operates across several industries and caters to a wide range of products and equipment. These include the sale of non-franchise vehicle spare parts, accessories, components, tyres, power tools, lamps and lighting fittings.

The segment employs a comprehensive dealer network to reach the entire nation. The range of world class brands represented by the segment enables it to offer products of technological excellence. The carefully developed cost conscious value chain allows the customer to enjoy a unique value proposition.

BUSINESS OUTLOOK

As stated last year, the segment made a significant improvement as a result of numerous efforts made towards growth. With improvements in the construction sector and the rising trend in the demand for smart solutions, we believe the segment has further potential to succeed in years to come. In readiness, we will continue to nurture our employees and other important capitals which are the key ingredients for the achievement of our desired outcomes.

Key Risks

Key Risk	Mitigation Activity
Increase in substitute products	Differentiation of product portfolio by sourcing them from world renowned brands that guarantee excellence in technology and quality. The availability of reliable aftercare underpins customer attraction to DIMO.

Key Opportunities

Key Opportunity	Risk Capitalisation Strategy
Established Branch Network and business partner relationships provide easy access to new markets	The established distribution network allows the segment to introduce new products to the market, faster.

Contribution to Sustainable Development

Contribution	Key SDGs
Affordable Commercial Vehicles that promote entrepreneurship	7 AFFORDABLE AND CLEAN ENERGY

PERFORMANCE SNAPSHOT

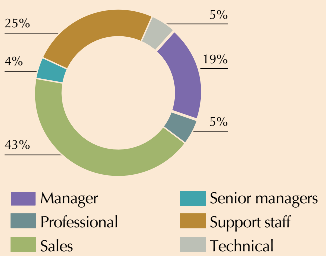
Revenue (Rs. million.) 4,716 In 2016/17 - 4,314	**Contribution to the Group's Revenue** 10.8% In 2016/17 - 9.7 %
Segment result (Rs. million.) 407 In 2016/17 - 167	**Contribution to the Group's overall segment result** 12.7% In 2016/17 - 5.1 %
Carbon footprint (tCO_2e) 1,064 In 2016/17 - 1,361	**Carbon emission** (tCO_2e) to generate Rs.1 Mn revenue 0. 23 In 2016/17 - 0.32
Water footprint (M3) 3,291 In 2016/17 - 8,572	**Water footprint** (M3) to generate Rs.1 Mn revenue 0.70 In 2016/17 - 1.99
Energy consumption (GJ) 11,709 In 2016/17 - 13,483	**Energy consumption** (GJ) to generate 1 Mn revenue 2.48 In 2016/17 - 3.13
Number of Job opportunities 212 In 2016/17 - 222	**Customer Satisfaction Index** 74% In 2016/17 - 90%

KEY CAPITAL INPUTS TO THE SEGMENT

Human Capital

Number of employees as at year end is 212. (2016/17 – 222). The manner in which they were engaged in the segment operations is presented below.

Employee profile



Monetised Capital

This section identifies the monetised capital trade-offs to nurture the other capitals that have been invested in the segment.

Area of monetised capital Investment	2017/18 Rs. Mn	2016/17 Rs. Mn
Total segment assets as at 31st March	3,389	2,318
Managing relationships with customers	51	61
Shared with employees	359	377
Managing relationships with business partners.	7	4

Business Partner Relationship Capital

Brand Portfolio

Long lasting relationships with best in class principals provide renowned brand names backed by superior technology and a secure supply chain.

Key Business Partner Relationships	Number of years
Robert Bosch GmbH	64 Years
Siemens	58 Years
Michelin	25 Years
Osram GmbH	24 Years
Rane Brake Lining Ltd	24 Years
MRF	17 Years

SEGMENT VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS

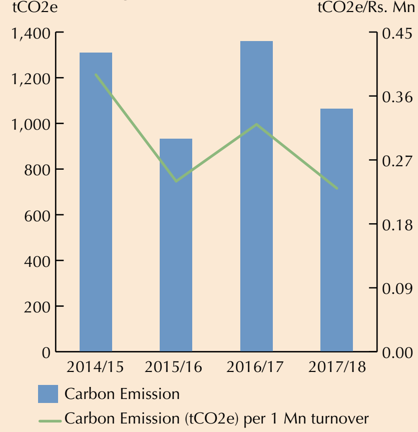
Value chain	Impact assessment
Efficient order construction that involves identifying the equilibrium order quantity for import	Contribution to government income via tariff (P 117)
Efficient stock management that ensures the availability	Carbon emission, effluents and waste (P 122)
Distribution via DIMO branches and a wide dealer network	
A sense of assurance by fulfilling warranty obligations	

As stated last year, the segment made a significant improvement as a result of numerous efforts made towards growth. With improvements in the construction sector and the rising trend in the demand for smart solutions, we believe the segment has further potential to succeed in years to come

SEGMENT PERFORMANCE

Carbon Footprint and Intensity

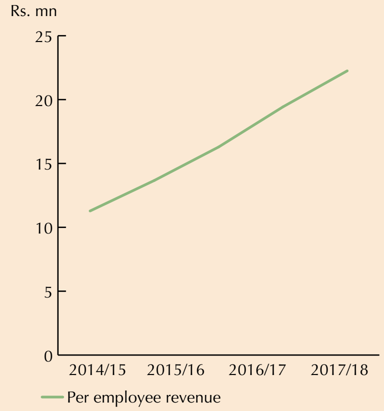
Carbon Emissions and Carbon Footprint (tCO2e) to generate one million turnover



Employee Productivity

Net revenue per employee is the indication of employee productivity of the segment.

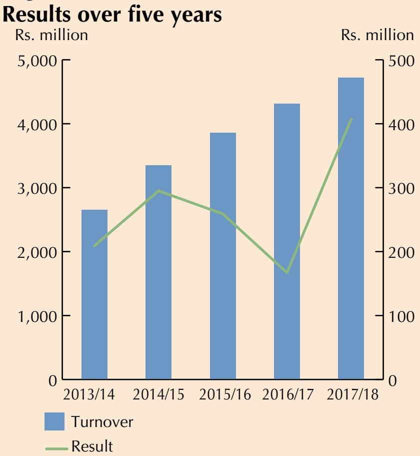
Net Profit Per employee



Segment Turnover and Results

Segment reported a 144 % of growth in its results compared to last year. (-36% 2016/17)

Segment Turnover and Results over five years



CONSTRUCTION AND MATERIAL HANDLING EQUIPMENT

The segment engages in the sale and aftercare of earth moving machinery, road construction machinery and fork-lifts; it also provides products and solutions in fluid management and material handling as well as a range of after-market services including full maintenance contracts. The product inputs come from global leaders in construction and mining equipment and in material handling such as Komatsu, Bomag, Schaeffer, Schwing Stetter and Manitou.

The key value driver used to differentiate our offering in this segment is the technological excellence of the best in class manufacturers in the world, backed by the commitment of DIMO's engineering support team to provide trouble free use. The DIMO engineering and design team's support allows customers to choose the most suitable solution, thereby gaining peace of mind to focus on their core business. This is the value proposition on offer.

The value chain presented above illustrates how DIMO adds value to customers at each level, filling the gap between international brands and Sri Lankan demand for construction and material handling equipment.

BUSINESS OUTLOOK

The growth strategy of Sri Lanka is based on developing the country to transform itself into a hub in the region, with a knowledge based, highly competitive social market economy. To this end, numerous key initiatives, including the Port City development project, the Megapolis project, and the Economic Corridor projects, are being carried out. With these, we see high potential for growth in this sector. We believe that the segment is equipped with the required capitals and resources to grab these opportunities and to improve its growing revenue contribution to the Group.

PERFORMANCE SNAPSHOT

Revenue (Rs. million.) 2,671 In 2016/17 - 2,581	**Contribution to the Group's Revenue** 6.1% In 2016/17 - 5.8%
Segment result (Rs. million.) 335 In 2016/17 - 206	**Contribution to the Group's overall segment result** 10.4% In 2016/17 - 6.3%
Carbon footprint (tCO_2e) 486 In 2016/17 - 428	**Carbon emission** (tCO_2e) to generate Rs.1 Mn revenue 0.18 In 2016/17 - 0.17
Water footprint (M3) 6,603 In 2016/17 - 11,566	**Water footprint** (M3) to generate Rs.1 Mn revenue 2.47 In 2016/17 - 4.48
Energy consumption (GJ) 11,709 In 2016/17 - 13,483	**Energy consumption** (GJ) to generate Rs. 1 Mn revenue 4.38 In 2016/17 - 5.22
Number of Job opportunities 95 In 2016/17 - 97	**Customer Satisfaction Index** 92% In 2016/17 - 88%

Key Risks

Key Risk	Mitigation Activity
Import of cheap substitutes	Differentiation of product portfolio through state of the art technology obtained through collaborating with business partners and providing reliable aftercare.

Key Opportunities

Key Opportunity	Opportunity Capitalisation Strategy
The Group's diversified customer portfolio includes institutions involved in key development projects in Sri Lanka.	The 360 degree CRM function gives opportunities for cross segment prospecting of business

Contribution to Sustainable Development

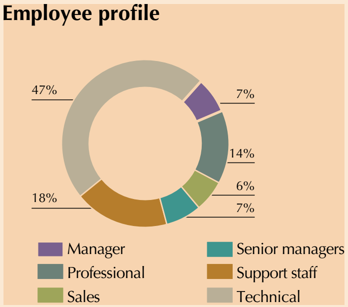
Contribution	Key SDGs
State of the art technology for the construction industry facilitates building resilient infrastructure, which will eventually lead to economic prosperity.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

KEY CAPITAL INPUTS TO THE SEGMENT

Human Capital

The number of employees as at year end was 95. (2016/17 – 97). The manner in which they were engaged in the segment's operations is presented below.

Employee profile



SEGMENT VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS

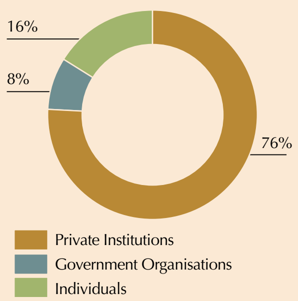
Value chain	Impact assessment
Efficient order construction that ensures the availability of a range of choices with high quality	Contribution to government income via tariff (P 117)
Pre delivery inspection for superior quality	Product Stewardship (P 127)
Availability through well organised equipment and machinery stock management	Carbon Emission (P 122)
Communication of the value proposition enhances awareness	Ethical Marketing (P 127)
Transfer of ownership and maintenance contracts that ensure continued operations	Contribution to the economic development through state of the art machinery (P 128)
Sense of assurance through fulfilment of warranty obligation	Carbon emission, effluent and waste in workshops. (P 122)

Key Capital Inputs to the Segment contd...

Customer Relationship Capital

Private institutions represent 76% of the segment's customers. Presented below is an account of the total customer profile of the segment.

Customer profile



Monetised Capital

Provided below is an account of monetised capital traded off to nurture the other non-monetised capitals invested in the segment

Area of monetised capital Investment	2017/18 Rs. Mn	2016/17 Rs. Mn
Total segment assets as at 31st March	1,578	1,420
Managing relationships with customers	7	10
Shared with employees	185	218
Managing relationships with business partners.	5	6

Business Partner Relationship Capital

Brand Portfolio

Long lasting relationships with best in class principals provide best in class spare parts backed by superior technology and a secure supply chain. (For more details refer business partner Capital Management Report from page 75 to 77)

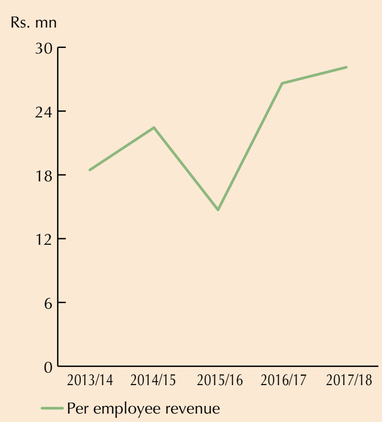
Key Business Partner Relationships	Number of years
Komatsu Ltd. -	49 Years
Bomag GmbH -	39 Years
Sch'a'fer Systems International Pte.Ltd. -	16 Years
MHE- Demag (S) Pte Ltd	15 Years

SEGMENT PERFORMANCE

Employee Productivity

Net revenue per employee is the indication of the segment's employee productivity.

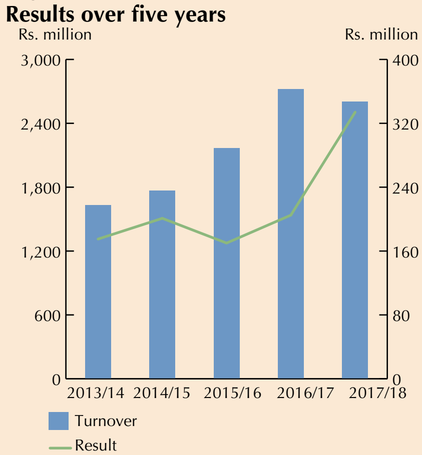
Net Profit per employee



Segment Turnover and Results

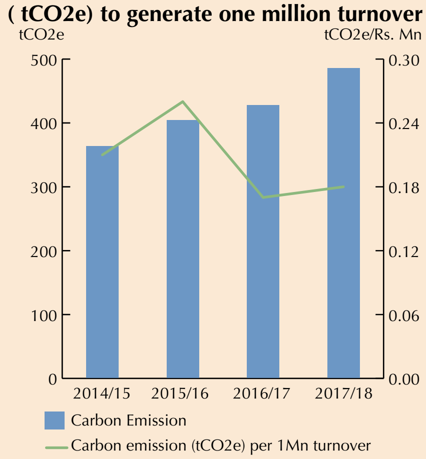
The segment results recorded a growth of 62%. Below presented is an account of the segment's revenue and the results for five years.

Segment Turnover and Results over five years



Carbon Footprint and Intensity

Carbon Emissions and Carbon Footprint (tCO2e) to generate one million turnover



AGRICULTURE

The expansion of our agriculture-related business during the year warranted the recognition of a separate "agriculture" segment. The segment offers a range of agri machinery, agri machinery after services and fertilisers to the market. The acquisition of a 51% equity stake in PlantChem (Pvt) Ltd. and Plant Seeds (Pvt) Ltd. towards the end of the financial year added seeds, agrochemicals and speciality fertilisers to the segment's portfolio.

The segment value chain includes two approaches. Agri machinery sales are conducted through the islandwide dealer network developed by the segment over the years. Fertiliser and other specialised agri-products are mixed and packed locally.

BUSINESS OUTLOOK

The recent re-introduction of the fertiliser subsidy scheme, imposing quota limitations on importers, is expected to impose a temporary set-back in the fertiliser business. Expected and possible return of the natural weather cycle is set to boost the agriculture sector and thereby increase the demand for agri machinery. The segment is equipped with the resources and expertise required to face these challenges and to capitalise on all feasible opportunities that arise in the industry.

Key Risks

Key Risk	Mitigation Activity
High government intervention in the agricultural sector.	Increase the agri product portfolio that entails products which are not usually subjected to government interventions.
Unexpected weather conditions indirectly affect demand for agri machinery.	Effective marketing strategies to create additional demand.

Key Opportunities

Key Opportunity	Opportunity Capitalisation Strategy
Global attention to structured farming	The segment has initiated an agri research centre on a twenty eight acre land in Dambulla that will test and promote structured farming techniques in Sri Lanka.

PERFORMANCE SNAPSHOT

Revenue (Rs. million.) 3,316 In 2016/17 - 1,805	**Contribution to the Group's Revenue** 7.7% In 2016/17 - 4.4%
Segment result (Rs. million.) 121 In 2016/17 - 201	**Contribution to the Group's overall segment result** 3.8% In 2016/17 - 6.2%
Carbon footprint (tCO2e) 667 In 2016/17 - 287	**Carbon emission** (tCO2e) to generate Rs. 1 Mn revenue 0.20 In 2016/17 - 0.15
Water footprint (M3) 4,791 In 2016/17 - 184	**Water footprint** (M3) to generate Rs. 1 Mn revenue 1.42 In 2016/17 - 0.09
Energy consumption (GJ) 7,824 In 2016/17 - 3,950	**Energy consumption** (GJ) to generate 1 Mn revenue 2.31 In 2016/17 - 2.00
Number of Job opportunities 220 In 2016/17 - 54	**Customer Satisfaction Index** 15% In 2016/17 - 36%

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Contribution	Key SDGs
Contribution to Sri Lanka's agriculture production	2 ZERO HUNGER
Improve livelihoods of local farmers	1 NO POVERTY

KEY CAPITAL INPUTS TO THE SEGMENT

Business Partner Relationship Capital

Brand Portfolio

Key Business Partner Relationships	Number of years
Mahindra & Mahindra Ltd	28 Years
Claas Agricultural Machinery pvt Ltd	15 Years

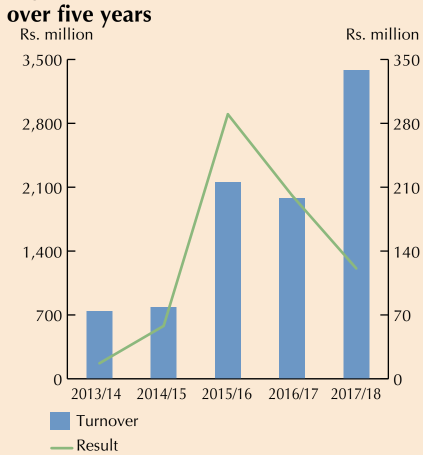
Monetised Capital

Provided below is an account of the monetised capital traded off to nurture the other non-monetised capitals invested in the segment.

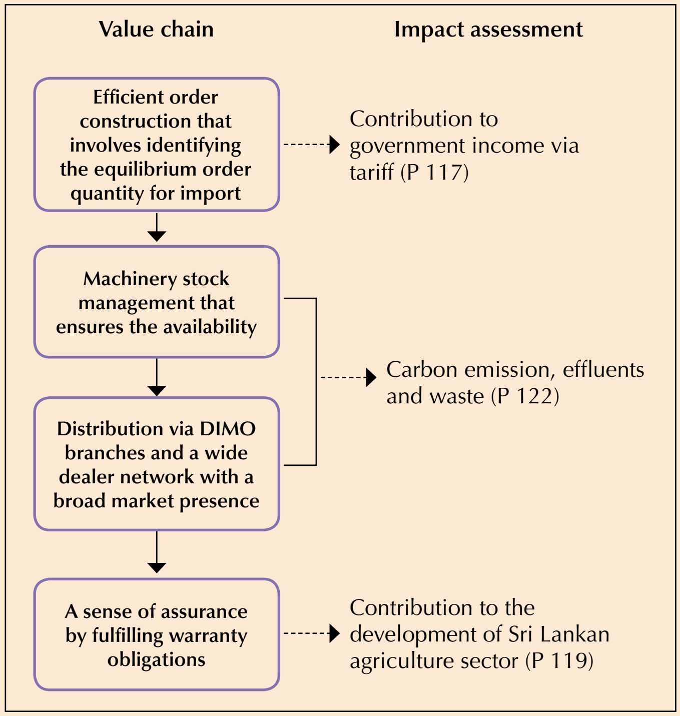
Area of monetised capital Investment	2017/18 Rs. Mn	2016/17 Rs. Mn
Total segment assets as at 31st March	3,452	1,176
Managing relationships with customers	50	11
Shared with employees	72	153
Managing relationships with business partners	5	6

SEGMENT PERFORMANCE

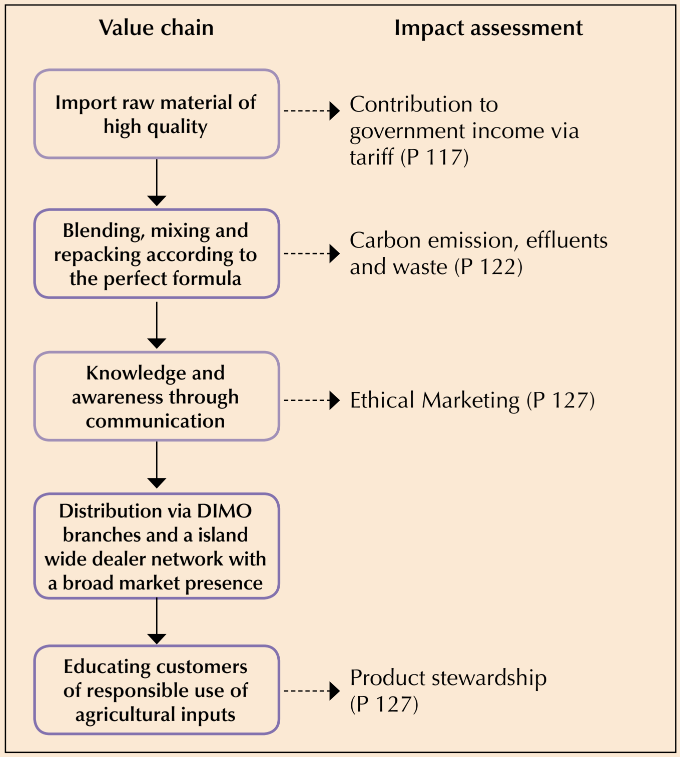
Segment turnover and results over five years



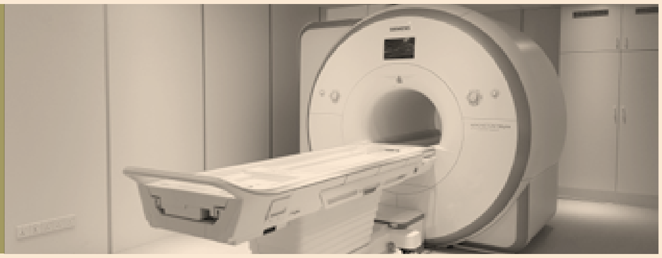
AGRI MACHINERY VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS



AGRI FERTILISER AND CHEMICAL VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS



ELECTRO-MECHANICAL, BIO-MEDICAL AND MARINE ENGINEERING



This business segment delivers reliable and tailored technological solutions of high quality to meet the needs of individual clients. The segment offers a wide range of business solutions, which includes building automation systems, fire detection, protection and suppression systems, CCTV and access control systems, public address systems, power systems for marine propulsion and rail traction, industrial refrigeration, fluid management, bio-medical equipment, and solutions in medium and high voltage power engineering.

DIMO's solutions are based on offerings from world leaders combined with our engineering capabilities. The qualified and trained DIMO engineering team is well equipped to deliver world class engineering solutions in Sri Lanka and to provide the necessary after care. The value chain presented above shows the manner in which the segment adds value to its customers.

BUSINESS OUTLOOK

Large scale infrastructure development projects, the growth in the hotel and tourism sector and expansion of the health care industry in both the public and private sectors will provide an impetus for growth. The segment is equipped with skilled professionals and exceptional relationship capital to face any upcoming challenge and to capitalise on attractive opportunities in the industry

Key Risks

Key Risk	Mitigation Activity
High customer bargaining power	The segment ensures its value proposition is invaluable by offering state of the art technology, engineering expertise and annual maintenance contracts.

PERFORMANCE SNAPSHOT

Revenue (Rs. million.) 2,603 In 2016/17 - 2,721	**Contribution to the Group's Revenue** 6.0% In 2016/17 - 6.1%
Segment result (Rs. million.) 261 In 2016/17 - 200	**Contribution to the Group's overall segment result** 8.1% In 2016/17 - 6.2%
Carbon Footprint (tCO2e) 233 In 2016/17 - 412	**Carbon emission** (tCO2e) to generate Rs. 1 Mn revenue 0.17 In 2016/17 - 0.15
Water Footprint (M3) 4,978 In 2016/17 - 144,477	**Water Footprint** (M3) to generate Rs. 1 Mn revenue 1.91 In 2016/17 - 5.32
Energy consumption (GJ) 5,036 In 2016/17 - 4,960	**Energy consumption** (GJ) to generate 1 Mn revenue 1.94 In 2016/17 - 1.82
Number of Job opportunities 180 In 2016/17 - 178	**Customer Satisfaction Index** 94% In 2016/17 - 97%

Key Opportunities

Key Opportunity	Opportunity Capitalisation Strategy
Global demand for advanced technological engineering solutions that promote energy efficiency and productivity	The segment maintains good relationships with global players in the industry. It enables the segment to introduce the latest technology to Sri Lanka, especially in bio-medical engineering products.

Contribution To Sustainable Development

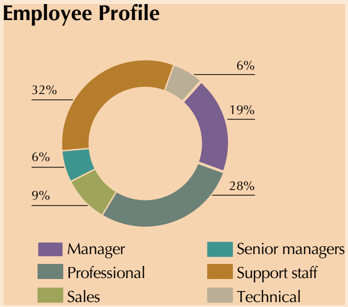
Contribution	Key SDGs
Making healthcare with latest technology available to Sri Lankans	
Promote clear water and sanitation	

KEY CAPITAL INPUTS TO THE SEGMENT

Human Capital

The number of employees as at year end is 180. (2016/17 – 178). The manner in which they were engaged in the segment's operations is presented below.

Employee Profile



SEGMENT VALUE CHAIN AND LIFECYCLE IMPACT ANALYSIS

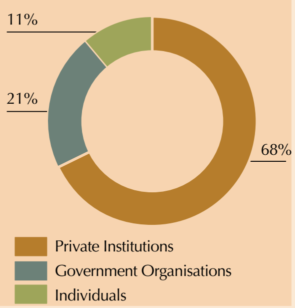
Value chain	Impact assessment
Proposal and order securing	Ethical Marketing (P 127)
Planning and designing that entails advanced engineering expertise	Product Stewardship (P 127)
Import machinery and equipment of high quality	Contribution to government income via tariff (P 117)
Installation and commissioning to perfection	Contribution to economic development through state of the art machinery and equipment (P 119)
Sense of assurance through warranty obligations	Carbon Emission (P 122)
Convenient maintenance contracts for fault diagnosis and rectification	

Key Capital Inputs to the Segment contd...

Customer Relationship Capital

Private institutions and government institutions represent the majority of the segment's customer profile.

Customer profile



Business Partner Relationship Capital

Brand Portfolio

Long lasting relationships with best in class principals provide best in class equipment backed by superior technology and a secure supply chain. (For more details refer Principal Capital Management Report from page 75 to 77)

Key Business Partner Relationships	Number of years
EMAG- Cranes & Components.	59 Years
KHD Humboldtwedag AG	58 Years
Siemens	58 Years
KSB AG	56 Years
Carl Zeiss Meditec	33 Years
Rolls Royce Power System AG	31 Years

Monetised Capital

Given below is an account of monetised capital traded off to nurture the other non-monetised capitals invested in the segment

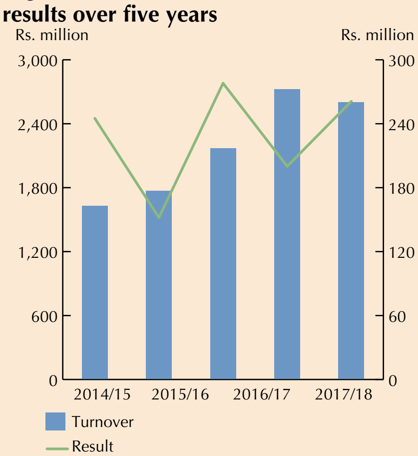
Area of monetised capital Investment	2017/18 Rs. Mn	2016/17 Rs. Mn
Total segment assets as at 31st March	2,628	1,914
Managing relationships with customers	20	14
Shared with employees	399	396
Managing relationships with business partners.	9	6

SEGMENT PERFORMANCE

Segment Turnover and Results

The segment results recorded a growth of 30%. Below presented is an account of segment revenue and the results for five years.

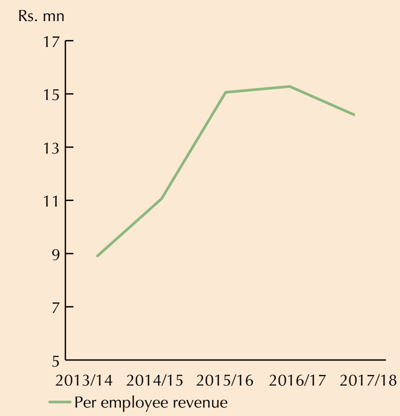
Segment turnover and results over five years



Employee Productivity

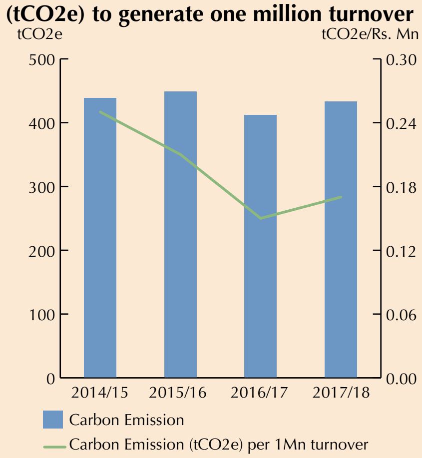
Net revenue per employee is the indication of employee productivity of the segment.

Net Profit Per employee



Carbon Footprint and Intensity

Carbon Emissions and Carbon Footprint (tCO_2e) to generate one million turnover



MANAGEMENT OF IMPACTS

This section gives an assessment of our triple bottom line, providing information about what we're doing to measure and manage our social, economic and environmental impacts across the value chain.

INTRODUCTION TO IMPACT MANAGEMENT

PURPOSE TO ACTION

DIMO is committed to being a partner in sustainable development. This is reflected in our mission statement "Create Value Responsibly". To us, responsible behaviour is a part of our differentiation strategy and not a mere "license to operate".

The Board of Directors has delegated this important mandate to the Group's Sustainability Committee, which is the policy making body on matters relating to sustainability, as depicted in the governance framework presented on page 42. The committee seeks responsible behaviour by addressing material stakeholder issues, managing business impacts on the economy, environment and society, and by participating in voluntary initiatives that promote sustainable development.

As with many other business enterprises, our value creation activities bring about economic, societal and environmental impacts. The challenge for us therefore is to minimise the adverse impacts and maximise the positive ones.

We have a collective responsibility to participate in initiatives that promote sustainable development outside the boundaries of our business. These are initiatives and projects that are not directly related to our business. Our participation in these initiatives is on a voluntary basis, depending on affordability. To bring this into action, we engage in projects in collaboration with our employees and external institutions.

Our thoughts and action towards sustainability complements the Sustainable Development Goals (SDGs) introduced by the United Nations in 2015. Our efforts in the sustainable development journey ensure that we project DIMO as a responsible corporate citizen, thereby strengthening our superior brand equity.

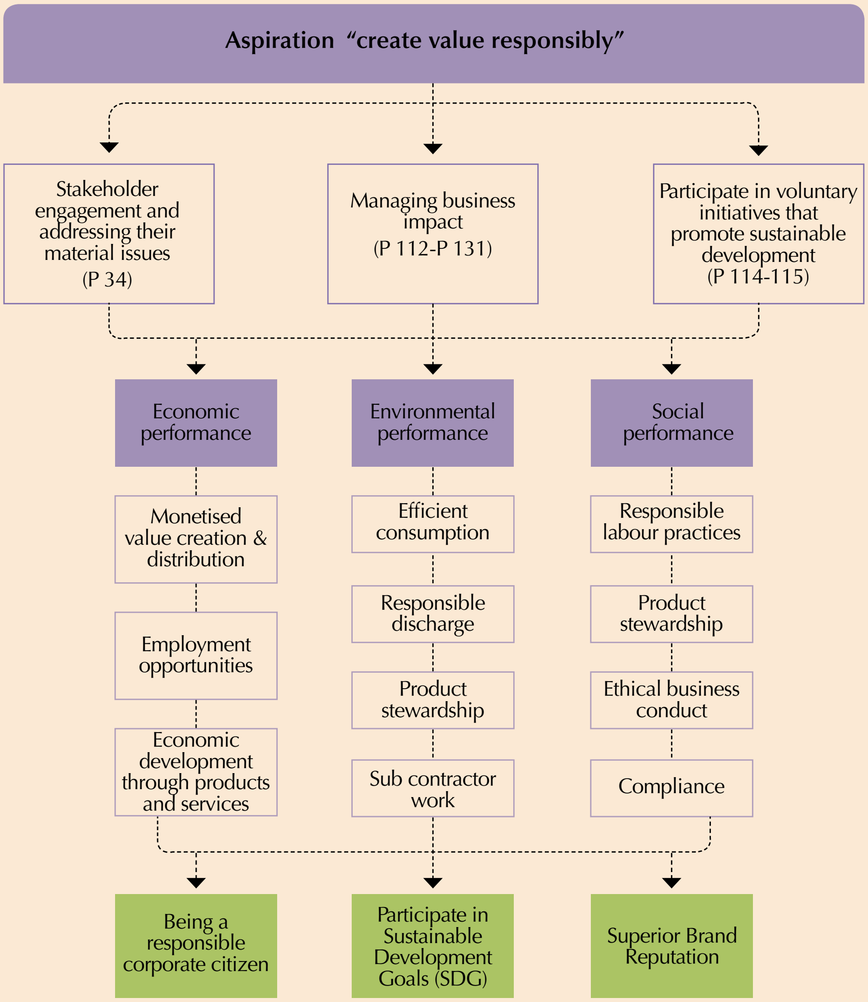
CREDIBILITY IN REPORTING

The Board's stewardship role necessitates that we are transparent in all we do. This requires that we report on all the material impacts we make through our value creation activities, and the manner in which we have managed them throughout the value creation process.

We have followed the GRI Standards published by Global Sustainability Standard Board (GSSB) for sustainability reporting. The Greenhouse Gas Protocol Corporate Standard published by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) have been used to measure and report on the Group's carbon footprint.

An independent assurance on non-financial reporting is provided by DNV-GL to further enhance the credibility of our non-financial information. The assurance report is available from page 215 to 217 of this report.

Creating value through economic, environmental and social performance



OUR CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Goal	Our contribution	Page Reference
1 – No Poverty	3.7% of value distributed to employees are distributed in provinces with high poverty headcount index	Page 118
	During the year we sold 2,086 DIMO Batta vehicles which is a well-known affordable small commercial vehicle that has been a means to producing many entrepreneurs.	Page 119
2 – Zero Hunger	We have invested Rs. 68 million in a 29 acres land in Dambulla to carry out Agriculture research work related to agriculture inputs, seed production and high tech agriculture demonstration that will eventually help to have better crops.	
3 – Good health and well-being	By bringing world renowned medical technology to Sri Lanka and ensuring their continuous availability through our competent engineering team, we play a vital role in towards a healthier population.	Page 119
4 – Quality education	The DIMO Automobile Training School has been providing opportunities for Sri Lankan youth on technical training free of charge for more than 25 years. Over 500 students have graduated from these training schools.	Page 128
	A voluntary donation of school books, bags etc. was conducted for the 7th consecutive year covering more than 140 students.	Page 130
5 – Gender equality	Our sustainability performance objectives require us to maintain ratio of female to male employees (excluding workshops and field sales) of more than 15%. As at 31st March 2018 this ratio was calculated to be 18.3%	Page 39
6 – Clean water and sanitation	Our fluid management solutions that provide drinkable water contribute to improve the availability of clean water to Sri Lankans.	Page 119
	DIMO ”රන්දිය” a voluntary initiative provided safe drinking water to more than 1000 villagers in Nagasthanna in Polonnaruwa.	Page 130
7 – Affordable and clean energy	DIMO is a Certified Energy Auditor as certified by the Sustainable Energy Authority of Sri Lanka. The Company carries out energy audits for clients, which will eventually lead to more efficient use of power.	Page 89
	During the year, we secured a tender for a one megawatt solar power plant to supply power to the CEB under a power purchase agreement. This is considered as our first step in contributing to the renewable energy supply in Sri Lanka.	
8 – Decent work and economic growth	Our Social Accountability Management System (SAMS) based on SA 8000 standard ensures that all employees including indirect employees are treated in a responsible manner.	Page 127

THE GLOBAL GOALS
For Sustainable Development

Goal	Our contribution	Page Reference
9 – Industrial innovation and Infrastructure	By providing machinery with state-of-the-art technology to the construction industry and providing aftercare to ensure their availability, we facilitate building of sustainable and resilient infrastructural systems.	**Page 119**
	We have fostered innovation by sponsoring a team of undergraduates to participate in Europe's most established educational motor-sport competition. This project helped to enhance the innovation capabilities of our engineering undergraduates.	**Page 129**
10 – Reduce inequality	The Group's revenue generation is not limited to one geographical area but spread across the island. Engaging in economic activities outside the western province allows us to contribute to reduce the inequality among provinces inside the island.	**Page 96 and 100**
11 – Sustainable cities and communities	Our Power Engineering and Building Technologies businesses provide many solutions that helps to build smart and sustainable cities. We deliver solutions from Siemens AG, who is a world leader in creating smart buildings and smart cities.	**Page 119**
12 – Responsible consumption and production	Our Environment Management System (EMS) is ISO 14001:2015 accredited. The EMS ensures we are responsible in our consumption of water, energy, material and lands.	**Page 89**
	All of DIMO's main workshops operate state-of-the-art water treatment and recycling plants and the Group thus recycled about 8% of the total water used for our activities during the year.	**Page 89**
	The Bosch Diesel Centre and DIMO 800 are LEED Gold certified Green Buildings. DIMO 800 which spans16, 000 square meters of built area, consumes 25% less energy than a traditional building	**Page 89**
13 – Climate action	The Group recorded a 3.08% reduction in its Carbon footprint emission during the year.	**Page 122**
	Promoting LED based lighting solutions and delivering them to help conserve energy. This contribute towards improving energy efficiency and reducing burning of fossil fuels.	**Page 89**
	"Connect with Nature", is an initiative conducted as a part of DIMO 5 year Carbon Management Plan. A 100 foot long green wall consisting of more than 1000 plants has built and the aesthetically pleasing wall serves as a mini carbon sink absorbing carbon emissions. This initiative is part of the Group's five year carbon management plan.	**Page 124**
14 – Life below water	"Life to Reef" a voluntary initiative conducted with the purpose of protecting and enhancing the biodiversity of Rumassala ecosystem, by restoring the destroyed Bonavista coral reef.	**Page 125**
	Turtle Conservation Project is a voluntary initiative conducted for conservation of turtles, who are vital to maintaining the balance of the ecosystem, but facing the threat of extinction.	**Page 125**
15 – Life on land	Participation in "Project Life" Forest Restoration and Bio Diversity Credit Accrual Programme carried out in a degraded one hectare forest land in Kanneliya Forest Reserve.	**Page 125**
	"Project Earth" - Environmental awareness sessions carried out among school children for the third consecutive year.	
16 – Peace justice and strong institutions	The Group's enterprise governance process ensure that we comply with rules and regulations and are ethical in operations. The Governance framework includes number of mandatory and voluntary compliances that drives the Board's mandate of good governance.	**P 41 - 58**

ECONOMIC IMPACT

BEING A CATALYST OF ECONOMIC WELL-BEING

THE NEED TO HAVE A POSITIVE ECONOMIC IMPACT IN ALL THAT WE DO

The entirety of our chain of value creation entails the flow of monetised capital and the consumption of goods and services. Each component of value creation thus affects the well-being of the economy. As a Company whose mission asserts that we do business responsibly, we are meticulous in approaching our business in ways that will have a positive economic impact.

HOW WE'RE MANAGING OUR ECONOMIC IMPACT

Our material economic impacts arise in three main areas: monetised value creation and distribution; providing employment opportunities across the nation; contribution to economic development through products and services, as the diagram below shows.

During the year under review the Group created Rs. 18.1 billion worth of monetised value (2016/17 Rs. 18.2 billion), of which Rs. 3.3 billion (2016/17 Rs. 3.3 billion) was distributed among employees, shareholders, lenders, government and the community. The Group provides employment to 1850 persons (including employees of the ventures invested / acquired during the year), of whom, 19.8% are employed outside of the western province. Our product portfolio, including engineering and agricultural products, contributed to the development of many industries in Sri Lanka by promoting efficiency and innovations.

It is our belief that our economic impact will generate positive outcomes for ourselves as well as to the nation's economy, thereby driving us towards the achievement of our overall strategic outcomes.

HOW WE WORK TOWARDS DELIVERING MEANINGFUL ECONOMIC VALUE

Monetised Value Creation and Distribution

Monetised value creation and distribution reflects how the Group created monetised value through its value creation process and shared it with stakeholders.

The total monetised value created by DIMO during 2017/18 is Rs.18.1 billion. Our contribution to local economic activity through goods and services purchased locally amounted to Rs.7.3 billion. Given the nature of our business, it must also be noted that we contributed Rs. 18.4 billion towards the global economy, in terms of the costs of imported materials and services.

The value created for the local economy was distributed among the Group's owners, employees, the government, lenders and directly to the community, while 5% of the value created was retained within the business for future investment. This amounted to Rs.910 million (2016/17 - Rs.1000 million).

How Management of Economic Impact Helps in Achieving Strategic Outcomes

Areas that Create Positive Economic Impact

- Monetized value creation and distribution
- Providing employment opportunities all over the nation
- Contribution to economic development through products and services
  1. Lighting solutions that conserve energy
  2. Contribution to the betterment of the healthcare sector
  3. Uplift entrepreneurship via affordable commercial vehicles
  4. Fluid management systems that provide drinkable water
  5. Boosting construction industry with state of the art machinery
  6. Power engineering and building technologies that helps to build smart and sustainable cities
  7. Agriculture products that boost domestic agriculture production

Economic Value Generated

Value Created to the Economy

- Positive impact on community livelihood
- Increased shareholder wealth
- Contribution to the development of community infrastructure

Value Created to the Group

- Protect social licence to operate
- Increased brand reputation
- Being a compliant and responsible corporate citizen

EXTRACTS OF MONETISED VALUE CREATED AND DISTRIBUTED

Monetised Value created

REVENUE

Rs. 43.7 Bn

In 2016/17 Rs.44.5 Bn

COST OF MATERIAL AND SERVICES BROUGHT IN

Rs. 25.8 Bn.

In 2016/17 Rs.26.5 Bn

VALUE CREATED

Rs. 18.1 Bn

In 2016/17 Rs.18.2 Bn

Monetised Value Distributed and Retained

GOVERNMENT

TAXES AND TARIFFS

Rs. 12.5 Bn (69%)

In 2016/17 Rs.12.4 Bn (68%)

COMMUNITY INVESTMENTS

COMMUNITY DEVELOPMENT AND ENVIRONMENT PRESERVATION

Rs. 117 Mn (1%)

In 2016/17 Rs.122 Mn (1%)

VALUE RETAINED

PROFIT RETAINED

Rs. 909.8 Mn (5%)

In 2016/17 Rs.1,000 Mn (8%)

LENDERS

INTEREST

Rs. 1,058 Mn (5.8%)

In 2016/17 Rs.856 Mn (5%)

EMPLOYEES

SALARIES AND SOCIAL SECURITY OBLIGATIONS

Rs. 3.3 Bn (18%)

In 2016/17 Rs.3.3 Bn (18%)

OWNERS

DIVIDEND

Rs. 178 Mn (1%)

In 2016/17 Rs.453 Mn (2%)

Direct community investment

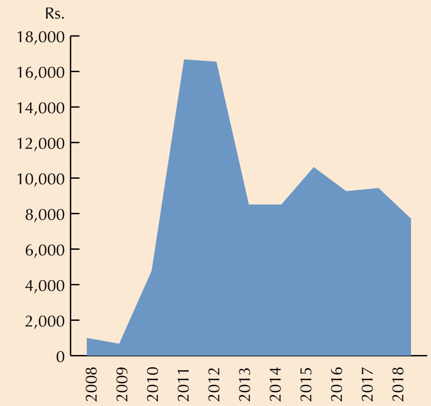
A part of monetised value created is directed towards community investments as a reflection of our collective responsibility towards sustainable development. During the year, community investments amounted to Rs.107.5 million, in areas that included technical education for apprentices and the development of social and physical infrastructure of the community. Such investments focused on improving youth employability and developing livelihoods of the local community. More information on these investments is available in the Social Impact Report from page 126 to 131.

A further Rs.10.5 million was invested towards environmental preservation (More information on these investments is available in the Environmental Impact Report from page 120 to 125).

Shareholder wealth creation

The effectiveness and success of our value creation processes considered together with other share market conditions, increases the value of our shareholders' investments in DIMO, rewarding them through capital gains. The following graph illustrates how an investment of Rs.1,000/- in DIMO shares in 2008 has increased over the years.

Value of Rs.1,000 invested in DIMO in 2008



Providing employment opportunities across the country

Monetised capital is also invested in enhancing our island wide branch network, thereby generating local employment and improving and advancing livelihoods of the local community. By creating increased employment opportunities in many regions of the country, DIMO continues to play a role in economic growth and development across the country.

Direct employment was provided to 1,850 persons (including employees of the newly acquired subsidiaries) (1,725 in 2016/17), and indirect employment to 365 persons at the end of March 2018 (599 in 2016/17). Direct and indirect employment opportunities have been generated by the companies which were acquired during the financial year.

Of the total value distributed to employees, 3.7% (3.9% in 2015/16) was directed towards provinces that report a higher poverty headcount index than the country's average poverty head count index of 4.1%. This strategic decision illustrates our commitment to reducing poverty levels in the local community.

The following table identifies the number of jobs we have generated and the amount of Monetised Capital we have invested in fixed assets, including in areas outside of the Colombo and Gampaha Districts.

Number of Jobs Generated and Amount of Monetised Capital Invested in Fixed Assets in Areas Outside Colombo and Gampaha Districts

Description	Colombo and Gampaha Districts		Northern /East Province		Rest of the country		Outside the country		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Employment opportunities provided (new recruitment)	268	323	10	7	15	50	19	Not applicable	312	380
Employee as at 31st March	1,464	1,417	114	61	253	247	19	Not applicable	1,850	1,725
Investments in buildings, plant and equipment - Rs. million	244	177	10	4	23	154	-	Not applicable	277	335

We have increased our contribution towards indirect employment by using locally supplied goods and services. Furthermore, we enforce high standards of quality and ethics in our local procurement practices, thereby driving improved sustainability in the businesses of our local suppliers (Please refer page 75 in the Business Partner Capital Management Report for our local procurement practices).

Contribution to economic development through products and services

DIMO's product and service portfolio represents six business segments namely; vehicle sales, vehicle after services, marketing and distribution, construction and material handling equipment, electro-mechanical, bio medical and marine engineering and agriculture. The products offered by each segment are sourced from world renowned principals and employ the latest technologies. Such products enable us to contribute to the development of many local industries by promoting efficiency and innovation. More information on Group's business profile is presented from page 92 to 111 of value chain management section.

MANAGING THE RISKS AND OPPORTUNITIES

Key Risk

Area	Risk mitigation
The government continuously changes import tariff policies to discourage imports with the aim of reducing the trade deficit. This often affects the prices of products and services we offer. Sri Lanka's trade deficit for the calendar year 2017 was USD 9,619 million (2016 – USD 8,873 million).	Constant monitoring of domestic and global economic environment to determine potential adverse impacts arising from these areas. Constant engagements with regulatory authorities and trade chambers / bodies, so as to be up-to-date with new regulations. The Group uses its strategic alliances with financial institutions to make available more affordable funding methods for our products. Our relationships with foreign business partners enable us to introduce more affordable options to our customers.

Key opportunities

Area	Opportunity capitalisation
Ne Foreign Exchange Act came in to effect from November 2017, relaxed several aspects related to foreign exchange transactions.	Capitalising this opportunity, the Company immediately invested in two subsidiaries, and one joint venture in Myanmar and Maldives. These ventures are expected to create future foreign currency remittances in the form of returns. (More information on foreign investments are disclosed in note numbers 4.12.1 and 4.12.5 of notes to the financial statements on page 179 and 182-183.

Power Engineering and Building technologies

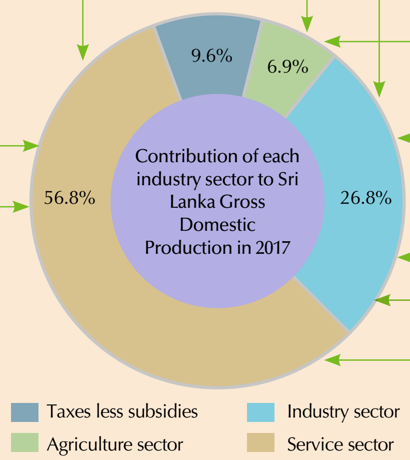
Building technologies could automate many functions of a building, street or a city. Technologies relating to power engineering, such as SCADA systems, help in the efficient transmission of power, reducing waste. Similarly, building technologies can automate many aspects of a building such as power, air- conditioning, lighting systems, security systems etc. We deliver solutions from world renowned brands such as Siemens AG and this helps to build smart and sustainable cities.

Agriculture Products including fertilisers, agro chemicals and seeds operations.

The main contributors to the Sri Lankan agriculture sector are Households and Non-Profit Institutions Serving Households (80.1 % contribution to the GDP of agricultural sector). We believe that our efforts in the agricultural sector will contribute towards improved agricultural production and thereby improve the livelihood of Sri Lankan households.

Fluid management Systems

A key component in this business is providing engineering solutions for water management. The National Water Supplies and Drainage Board is one of our key clients. By providing engineering solutions to provide portable water, we participate in the promotion of clear water and sanitation available to the Sri Lankan Community.



Providing lighting solutions to clients, using LED lamps

Promoting LED based lighting solutions and delivering them will help to conserve energy and thereby contribute to the improvement of energy efficiency and the reduction of fossil fuels burnt.

State of the art medical equipment and maintenance services

We bring cutting edge medical technology from global leaders to Sri Lanka, and ensure their continuous availability through our competent engineering team. We thus play a role in making healthcare with latest technology available to Sri Lankans. By doing so, we play our role in improving good health and well-being.

Supply and maintain sophisticated machinery related to the construction industry, including road construction

By providing machinery with state of the art technology to the construction industry and providing aftercare to ensure their availability for use, we facilitate building resilient infrastructure that will eventually lead to economic prosperity.

Affordable Commercial Vehicles

DIMO' Commercial vehicle range, especially DIMO Batta which is commonly known for its affordability, has produced many entrepreneurs and uplifted many livelihoods. The range has provided many people an opportunity to earn an income and find a way out of the low income trap. Therefore, this product range has the potential to reduce poverty and inequalities.

ENVIRONMENTAL IMPACT

MEETING THE CHALLENGES OF MINIMIZING OUR ENVIRONMENTAL IMPACTS

THE SIGNIFICANCE OF REDUCING OUR ENVIRONMENTAL FOOTPRINT

It is universally accepted that business enterprises in general impact the environment, and it is the responsibility of individual companies to conduct their activities in ways that cause minimum harm to the environment. At DIMO, our responsibility towards the well-being of the environment is entrenched in our corporate values (Refer page 05 for corporate values) and in our corporate strategy (Refer page 29 for corporate strategy).

DIMO is committed to conducting itself as a responsible corporate citizen (Refer page 29 for strategy statement) and in doing so, we focus on minimising adverse impacts and maximising the positive impacts across all our activities. We have identified natural resources as a capital input to our value creation chain too (as depicted in the value creation model on pages 32 to 33). Natural resources are scarce, and often dwindling and therefore their sustainability is of prime importance. By minimising our impact on the environment, we make our contribution towards preserving the natural environment. This collective efforts could prevent long-term negative consequences on the availability of natural resources.

At DIMO, our responsibility towards the well-being of the environment is entrenched in our corporate values (Refer page 05 for corporate values) and in our corporate strategy (Refer page 29 for corporate strategy)

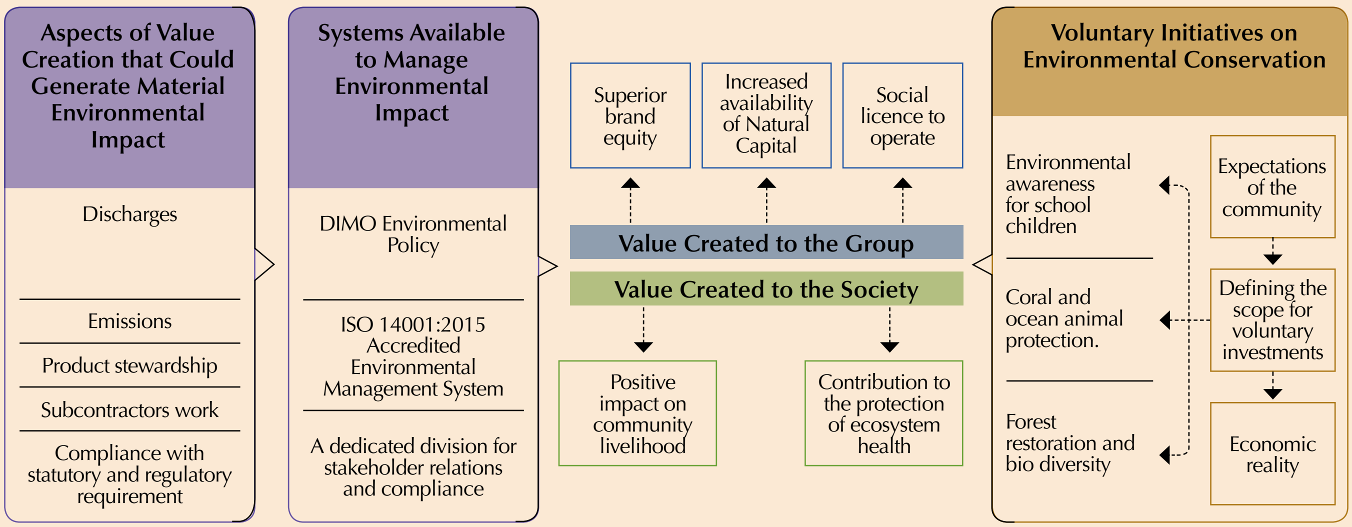
HOW WE'RE MANAGING OUR ENVIRONMENTAL IMPACTS

At DIMO, environmental impact management is twofold – internal initiatives to minimise impacts and external initiatives to promote conservation. These two pillars enable us to make our contribution to ensure the sustainability of natural capital inputs.

An objective analysis of our internal operations helped identity five aspects related to our operations that may potentially impact the environmental (as depicted in the above diagram). We manage the impact generated by these five factors through DIMO environmental policy, ISO accredited Environmental Management System (EMS) and a dedicated division guided by Sustainability Committee (Refer page 88 of natural capital management section for more details on DIMO environmental management system and environmental policy)

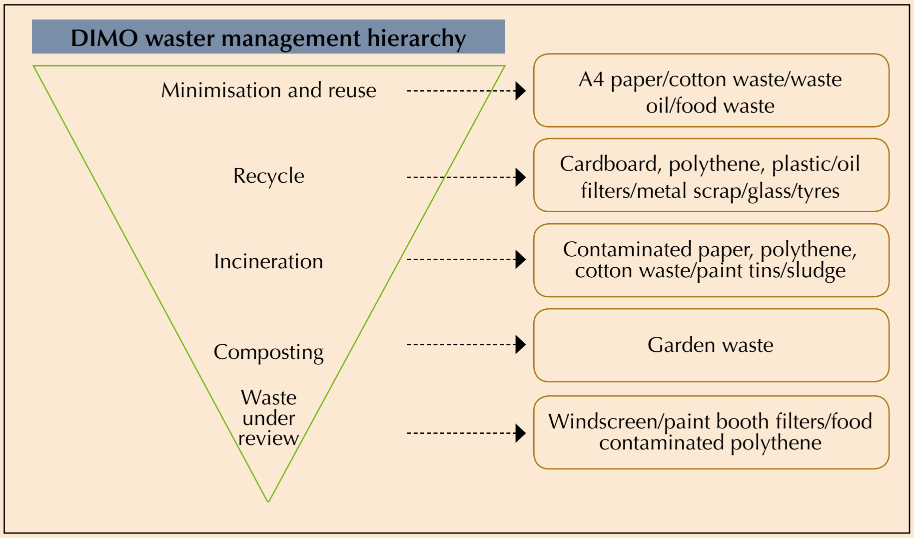
From an external perspective, we use our stakeholder engagement process to identify environmental conservation initiatives outside of our businesses. Of these, we invest voluntarily in selected initiatives that reflect our economic reality and help us demonstrate our responsibility towards environmental conservation.

How Management of Environmental Impact Contribute to Achieving Strategic Objectives



Management of discharges

Our strategy for managing hazardous and non-hazardous solid waste and water disposal is grounded in the concept that the Company should re-use, re-cycle and replenish wherever possible. This effort is supported by all business units. Following diagram depicts DIMO's waste management hierarchy.



Non-hazardous solid waste management

A waste segregation system enables the Group to dispose non-hazardous solid waste responsibly. Such waste are either reused, recycled or incinerated. Our premises have in place a segregation system for non-hazardous solid waste, where colour coded bins are maintained for organic material, paper, polythene and plastic. The waste generated therein is reused or recycled.

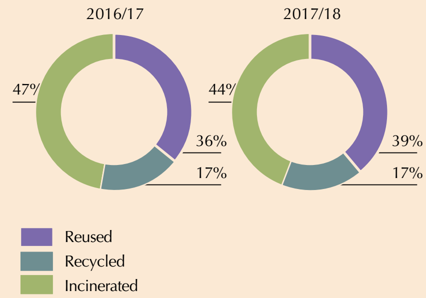
Food- waste is handed over to a third party for use as animal feed. The Central Environment Authority has also approved third party recyclers to collect paper, plastic and polythene for recycling.

The table below provides a summary of non-hazardous solid waste generated by the Group during the year. The increment in vehicle throughput by 25% has caused the increment in Cardboard boxes disposed by 20% compared to the last year. Organic waste disposal decreased by 9 % as a result of awareness campaigns conducted on responsible consumption.

Non-Hazardous Solid Waste Disposal

Type of waste	Unit	Disposal method	2017/18	2016/17	Year to year Variance
Food/Organic Waste	kg	Reuse	45,982	50,645	-9.21%
Contaminated paper	kg	Incinerate	6,759	8,993	-24.84%
Cardboard boxes	kg	Recycle	38,473	32,177	19.57%
Pallet Racks	kg	Reuse	126,876	186,415	-31.94%

Total waste disposal by method



Hazardous solid waste management

Hazardous solid waste can significantly impact the sustainability of natural resources, and managing such waste is of critical importance. DIMO employees are regularly trained on safe practices and the proper handling of hazardous material.

Chemical Spillage Kits have been made available for employees for use in the event of spillage. If such a situation were to arise, Material Safety Data Sheets (MSDS) set out the protocol for managing such an eventuality. We are pleased to report that there were no incidents reported in relation to hazardous chemical spillages during the year. In the case of electronic waste, we are in partnership with a recycler for the safe disposal of e-waste. In a bid to improve our handling of hazardous waste, we have commissioned an accredited third party to provide a suitable waste management solution.

Sludge, waste oil and metal scrap recorded higher disposal rates compared to last year, due to the observed increment in vehicle throughput. We recorded reductions on the disposal of cotton waste, paint tins, plastic and polythene by promoting their efficient usage.

Hazardous waste by type and their disposal method

Type of waste	Unit	Ultimate disposal method	2017/18	2016/17	Year to year Variance
Sludge	kg	Incinerate	138,831	120,330	15%
Waste Oil	L	Reuse	111,885	90,771	23%
Metal Scrap	kg	Recycle	25,394	22,665	12%
Cotton waste	kg	Incinerate	32,782	42,338	-23%
Paint tins	kg	Incinerate	1,202	1,453	-17%
Plastic	kg	Recycle	1,467	2,077	-29%
Polythene	kg	Recycle	6,035	4,958	22%

Waste water treatment

We have in place stringent waste management processes that eliminate the risk of discharging untreated water into any public area or sewage system. Waste water generated from our workshops is treated and monitored to ascertain pH levels on a daily basis, thus ensuring compliance with legal limits.

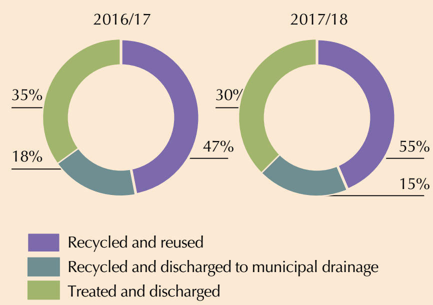
Random samples of recycled water are collected by a third party, approved by the Central Environment Authority, to monitor pH value and Chemical Oxygen Demand (COD). During the year, we discharged 11,923 M3 of water after recycling or treating for PH value (2016/17 – 10,455 M3). This recorded a 14% increment compared to last year. DIMO's biochemical oxygen demand, total suspended solids and oil/grease content were all found to be well below the tolerance levels demanded by the Central Environment Authority.

During the year under review 3,259 M3 (2016/17 – 2,774 M3) of water has been discharged to municipal drainage upon recycling while 8,822 M3 (2016/17 – 10,995M3) of water was discharged after being treated to maintain the desired PH value.

Water Discharge by Method

Waste Discharge by method	2017/18 (M3)	2016/2017 M3)	2015/2016 M3)
Recycled and reused	8,822	10,095	7,749
Recycled and discharged to municipal drainage	3,259	2,774	3,676
Treated and discharged	6,617	5,482	8,270

Water Discharge by method



Managing emissions and climate changes

The modern world's greatest environmental challenge is climate change; DIMO considers global warming a grave threat and is committed to playing its part in creating a cleaner, greener planet. In this spirit, we shall;

- Ensure that emissions caused by our business activities fall within the regulatory frameworks and limits.
- Minimise the harmful impacts of our business activities that could contribute to climate change.
- Renew our commitment to managing the Greenhouse Gases (GHG) we emit. In light of this, we have been monitoring our carbon footprint over several years, using the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (revised edition).

Carbon footprint

Emission	2017/18 tCO2e	2016/17 tCO2e	% change from p/y	2015/16	2014/15	Emission intensity ratio (tCO2e per Rs. 1 mn of Group net turnover)			
	tCO2e emission			tCO2e emission		2017/18	2016/17	2015/16	2014/15
Scope 1	4,931.34	4,969.88	-0.78%	4,423.15	4,243.10	0.1135	0.1123	0.1172	0.1512
Scope 2	2,393.47	2,595.86	-7.80%	2,444.27	2,080.90	0.0551	0.0586	0.0648	0.0741
Scope 3 (Limited)	353.87	357.34	-0.97%	356.14	446.7	0.0081	0.0081	0.0094	0.0159
Total	7,678.68	7,923.08	-3.08%	7,223.56	6,770.70	0.1768	0.1790	0.1914	0.2412

Note - Carbon footprint for the year 2017/18 comprise following;

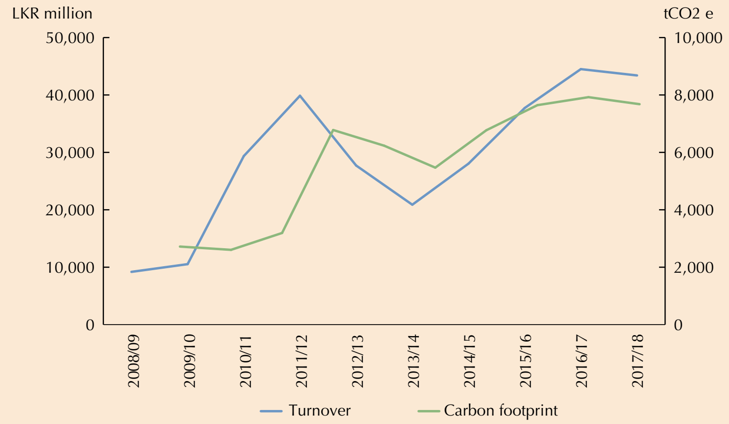
a) 87.81 tco2e (Scope 1 - 80.53 tco2e, Scope 2 - 7.28 tco2e) generated by two subsidiaries of Group's Myanmar operations which commenced business in August 2017and December 2017 respectively..

b) 15.26 tco2e (Scope 1 – 14.77 tco2e, Scope 2 – 0.49 tco2e) generated for one month by PlantChem (Pvt) Ltd and Plant Seed (Pvt) Ltd which were the companies acquired by the Group in February 2018 .

The Group's carbon foot print saw a 3.08% reduction compared to last year. The GHG emission for one million turnover decreased by 1.22%, from 0.1790 tco2e to 0.1768 tco2e. This is as a result of continuous awareness conducted throughout the year. The graph presented beside compares the movement in Group's GHG emission with the Group's revenue for ten years.

The Group's sustainability committee is evaluating the effectiveness of controls over the carbon emission in newly acquired subsidiaries and will execute appropriate mechanisms to strengthen the emission control process in the coming year.

Carbon Footprint vs Group Revenue Over Last 10 Years

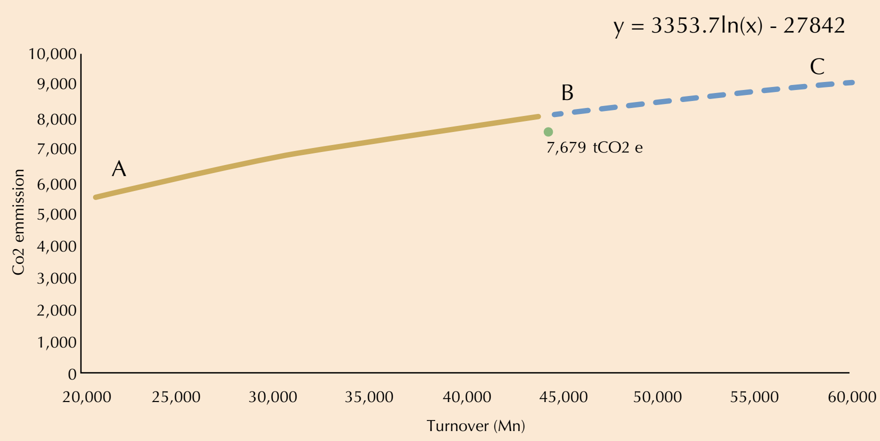


A Case Study - Carbon Footprint Curve of DIMO

Performance relating our carbon footprint is currently measured as a ratio between tons of Carbon Dioxide Emissions (tCO2e) per Rs.1.0 million of turnover. This ratio for the current year is compared with its corresponding figure for the previous year to see whether there is an increase or a reduction in the carbon footprint ratio. In doing so, we assumed a directly proportionate linear relationship between turnover and the resultant carbon footprint.

In order to look at our carbon footprint more aggressively and critically we are now looking at a scenario where we do not assume a linear relationship but a non- linear positive relationship between the two variables. Upon mapping of data relating to turnover and the total carbon foot print for the last five years we were able to construct the following curve of best fit, which corresponds to the equation y = 3353.7ln(x) – 27,842. Point A to B in the following graph depicts the curve based on actual data for the last five years with point B to C depicting the extension of the curve when actual turnover in the future exceed current turnover. Therefore, our focus will be to limit our future carbon foot print to a spot below the curve. The carbon footprint for year 2017/18 which is 7,679 tCO2e, is marked on the graph.

Turnover vs carbon footprint



Managing atmospheric emissions

DIMO monitors its atmospheric emissions closely, while an independent third party approved by the Central Environmental Authority (CEA) measures our emissions annually. Such emissions have been maintained within limits permitted by the CEA.

Several measures are in place at workshops to control emissions. These include exhaust gas and dust extractors which effectively deal with emissions emanating from engine testing, and the cleaning of air filters and brake assemblies; and filtration systems in paint booths that prevent the release of toxic fumes and particles into the atmosphere.

None of DIMO's activities result in Ozone depleting emissions CFC-free gases are used in vehicles and air conditioning plants which have built-in systems to capture and recycle gas when such units are being serviced.

A Case Study

DIMO celebrated Environment Day 2017 under the theme "Connect with Nature", by erecting a 100 foot long green wall consisting of more than 1000 plants. The aesthetically pleasing wall serves as a mini carbon sink absorbing carbon emissions. This initiative is part of the DIMO Carbon Management Plan, a 5 year programme developed with the motive of controlling and reducing carbon emissions.

The structure of the wall was built by the employees of Colombo workshop as a voluntary engagement activity towards environment protection. Continuous employee support is received towards maintenance of the green wall - thus far this project has recorded 265 volunteer hours.

The success of this project has inspired the passionate volunteers of DIMO to expand the same to another stretch of workshop area...

Noise management

Noise Emissions are strictly monitored across all DIMO sites to ensure the comfort and safety of any person in their vicinity. While complying with all regulations relating to noise emission, we have also taken steps to maintain noise emissions well below the statutory expectations. Noise emissions are measured by an independent third party accredited by the Central Environmental Authority (CEA).

Product stewardship

We consider it our responsibility to sell products that have minimum environment impact throughout their lifespan. As such, each business unit carries out life cycle assessments to assess the environmental impact of products and services we deliver. This helps us identify concerns related to material consumption, discharges, possible emissions & pollutions, positive and negative impacts to the environment and end of life disposals. The assessments are reviewed periodically.

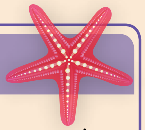
INVESTING INTO THE FUTURE THROUGH VOLUNTARY INITIATIVES

Reaching beyond our business boundaries, we extend our collective responsibility towards environment protection and conservation efforts with the motive of replenishing, restoring, and rejuvenating the environment and preserving it for the future.

As a signatory to the United Nations Global Compact, we ensure that value added initiatives undertaken towards Environment Sustainability are in line with one or more Sustainable Development Goals (SDGs) declared by United Nations (The account of Group's contribution towards SDGs is presented on pages 114 and 115)

Below is an account of signature programmes conducted during the year

Life to Reef



The Coral Reef Restoration, Monitoring and Conservation Programme in partnership with Wildlife and Ocean Resource Conservation.

OBJECTIVE:

Protecting and enhancing the biodiversity of Rumassala ecosystem by restoring the destroyed Bonavista coral reef.

VOLUNTEER HOURS:

469

Project Earth

Environmental Awareness sessions were carried out among school children of five schools in 2017, for the third consecutive year. This project is conducted in partnership with AIESEC, University of Moratuwa.

OBJECTIVE:

Increase environmental awareness among school children and introduce environmental friendly initiatives and best sustainability practices.

VOLUNTEER HOURS:

48

Turtle Conservation Project

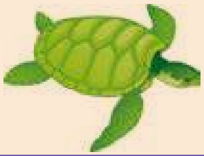
Conservation project for Turtles, who are vital to the balance of the ecosystems but face the threat of extinction.

OBJECTIVE:

Protecting the balance of delicate ecosystem through conserving of turtle eggs and monitored releasing of hatchlings and conducting awareness programmes on turtle conservation for community, school children and visitors.

VOLUNTEER HOURS:

469



Project Life

Forest Restoration and Bio Diversity Credit Accrual Programme was conducted in collaboration with Bio Diversity Sri Lanka. The project is carried out in a degraded one hectare forest land in Kanneliya Forest Reserve.

OBJECTIVE:

Restore and manage the biodiversity of a degraded forest land and develop a biodiversity credit accrual system for the first time in Sri Lanka.

MANAGING THE RISKS AND THE OPPORTUNITIES

Area of Challenge	Risk	Opportunities
Balancing natural and monetised capital trade-offs.	The monetised capital budget, especially on voluntary environmental conservation projects, must be evaluated carefully in order to balance shareholders expectations and community expectations. The Groups' Annual Budgeting process assesses the expected cash flow generation and decides upon investments which align with the Group's overall objectives.	The limitation in allocating monetised capital for environmental impact management has provided the Group the opportunity to increase voluntary employee involvement on related projects. It reduces the monetised capital required for labour and motivates our employees to participate in environmental conservation both within and outside the organisation. During the year 517 voluntary hours were invested in environmental conservation projects by our employees.
Ensure DIMO's Environmental Management Best Practices are adhered by subcontracted workers.	The subcontracted workers are given a briefing on essential environmental, health & safety and social compliances they should adhere to and are issued with a general work permit to commence work at our premises.	NA

SOCIAL IMPACT

WINNING TRUST AND ENSURING LEGITIMACY IN OUR SOCIAL IMPACTS

1. THE IMPERATIVE TO MANAGE SOCIAL IMPACT

We are conscious of the reality that we are positioned within, and represent a part of, the larger community. The employees and customers who are providers of critical capitals to the Group also represent parts of the said community. We affect the community through the manner in which we manage our employees and customers, while our business activities may have negative or positive consequences on the community. Neglecting these can pose a threat to the Group's social licence to operate and to the resource availability.

DIMO's statement of purpose reads 'Create Value Responsibly'. Managing our social impact is a prerequisite to meeting our commitment of being a responsible corporate.

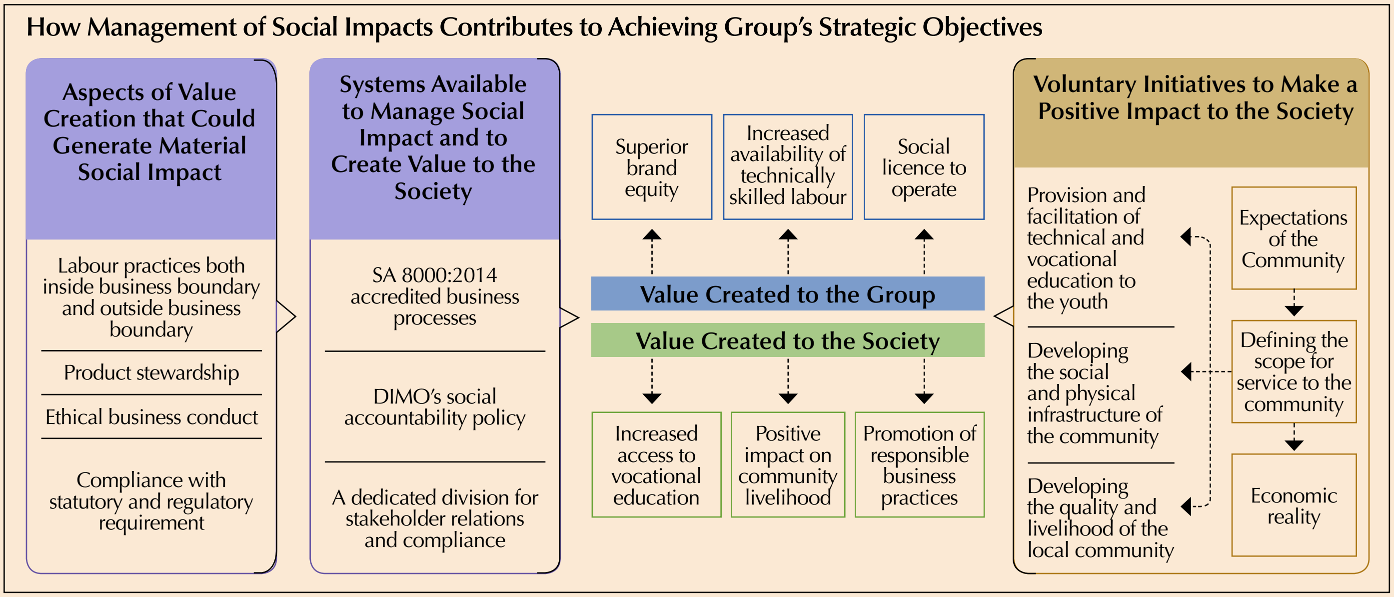
2. HOW WE'RE MANAGING OUR SOCIAL IMPACT

We have identified four material areas through which DIMO has negative and positive impacts on society, as depicted in the diagram below.

The Group manages its social impacts through several means including its Social Accountability policy, SA 8000:2014 accredited systems and processes, and a dedicated division guided by Sustainability Committee. We also contribute towards social well-being through voluntary investments. The stakeholder engagement process identifies material focus areas of the community that require due attention and of these, we select areas that are in accordance with our economic reality.

These two pillars of social impact management guarantee that we protect our social licence to operate while projecting DIMO as a responsible corporate citizen.

The Group manages its social impacts through several means including its Social Accountability policy, SA 8000:2014 accredited systems and processes, and a dedicated division guided by Sustainability Committee



MEASURING AND MANAGING OUR SOCIAL IMPACT

SA 8000:2014

Portraying DIMO's voluntary commitment towards socially responsible labour practices, DIMO sought Social Accountability accreditation (SA8000:2014) in 2017. This standard not only acts as an endorsement of our labour practices, ethical business conduct and compliance to regulatory requirements, but also enables promotion of responsible business practices within our supply chain...

Labour Practices Both Inside and Outside Business Boundary

The Group's labour practices are designed to be ethical and responsible in the way we regard and nurture our employees – the providers of human capital. These are detailed from pages 78 to 82 in Human Capital Management Report.

In this section, we explain how responsible we are in those practices because the level of ethics embedded in our labour practices may affect the well-being of society. Our labour practices are SA 8000:2014 accredited; this is an assurance that we avoid use of child labour and forced labour, maintain best practices related to health & safety of workers, freedom of association, eliminating discrimination, disciplinary practices, working hours and remuneration. We extend this same commitment towards ethical labour practices to our subcontractors, who are expected to manage their human capital responsibly, in full compliance with the country's labour law.

The Board's stewardship requirements ensure that our business conduct is ethical and transparent, and this mandate is transformed into action by DIMO's Code of Business Ethics, which details our approach to business conduct and our public policy

Extending social responsibility towards our own on-site service providers and demonstrating DIMO's commitment towards a healthy work force, a medical camp was conducted at our Weliweriya premises, the DIMO Logistics Centre. A free medical screening and physician consultation were offered to 100 on-site workers of different contractor categories, including janitors, drivers and man power workers.

We took the initiatives to build places of worship for the benefit of our employees and customers of different faiths. We expect this initiative will enhance our efforts towards ethical labour practices and promoting equality.

DIMO has won a number of awards and certifications related to our human resource practices. This is an indication of our commitment to better and ethical labour practices. Refer page 87 for more information on accolades related to HR practices.

Product stewardship

Product responsibility is an important consideration in our value creation process, because it affects the level of trust we command from our customers, who provide DIMO's customer relationship capital. Our approach to product responsibility consists of factors such as ethical marketing, product labelling, product safety and responsible aftercare. During the year, there were no instances of non-compliance reported relating to these aspects. More information on this is disclosed on page 70 in the Customer Capital Management Report.

Ethical business conduct

The communities around us are influenced by the manner in which we conduct business throughout the value chain, from inputs to managing impacts. Therefore it is vital that we have a mechanism to ensure that our overall business conduct does not violate widely accepted social and cultural rules, norms and ethics.

The Board's stewardship requirements ensure that our business conduct is ethical and transparent, and this mandate is transformed into action by DIMO's Code of Business Ethics, which details our approach to business conduct and our public policy.

The Code of Business Ethics specifies strict guidelines regarding how employees should conduct business operations and the limits within which they may deal with external parties. All new employees that join the DIMO tribe are made aware of the requirements enshrined in the Code of Business Ethics, during their orientation.

The Code of Ethics also ensures that no representative of DIMO makes any political donation nor attempts to influence any public bodies. The Code also addresses issues of corruption and competition.

Our partnerships with regulatory and non-regulatory organisations and associations have also strengthened our efforts towards ethical business conduct. Through such partnerships, we have participated and lobbied for the promotion of fair trade, social welfare and matters relating to social equity, among other issues. For example, our membership in trade organisations has driven us to voice our views on matters relating to taxation and tariff policy. Presented below is an account of memberships we hold with external associations.

- The American Chamber of Commerce
- The Automobile Association of Ceylon
- The Ceylon Chamber of Commerce
- The National Chamber of Commerce
- The Sri Lanka - Australia and New Zealand Business Council
- The Sri Lanka - France Business Council
- The Sri Lanka - German Business Council
- The Sri Lanka - Italy Business Council
- The Ceylon Motor Traders Association
- The Chamber of Young Lankan Entrepreneurs
- The Chamber of Construction Industry Sri Lanka
- The European Chamber of Commerce of Sri Lanka
- The Japan Sri Lanka Technical and Culture Association

Compliance with statutory and regulatory requirements

We recognise the importance of respecting the statutory and regulatory requirements which have been established to protect the public and to ensure ethical behaviour of individuals and corporates. As such, we place great emphasis on compliance. Our comprehensive and well established conformance framework, presented on page 42 of the Enterprise Governance section, ensures that we comply with all mandatory requirements.

We are stringent about making all required filings and payments punctually and precisely, and about strictly following all standards and guidelines so that no issues are left pending.

Every one of our islandwide business sites are made aware of the need to adhere to environmental regulations, product labelling and safety regulations applicable to their locations of operation. Refer to the Enterprise Governance report on pages 40 to 58 for more discussion about our legal platform and how we comply with regulations.

> During the year under review the Group spent Rs. 65 million worth of monetised capital (2016/17 Rs. 57 million) to maintain DIMO Automobile Training School

Voluntary initiatives to make a positive impact to the society

In our endeavour to live by our strategic outcome of being a responsible corporate citizen, we go the extra mile to understand the pulse of the community and invest to fulfil their expectations within our economic reality. As depicted in the diagram "How management of social impact contributes to achieving Group's strategic objectives" above, the Group's social initiatives are in three main areas:

- provision and facilitation of technical and vocational education for youth
- developing the social and physical infrastructure of the community
- developing the quality and livelihood of the local community

Provision and facilitation of technical and vocational education for youth

We undertake to help, develop and nurture young Sri Lankan talent and showcase it to the world, while meeting the long term goals of creating job opportunities in Sri Lanka. Here is an account of our commitment towards this mandate.

DIMO Academy for Technical Skills (DATS).

This flagship programme provides free technical education to local youth via two training schools located in Weliweriya and Jaffna. The current courses available at DATS include Vocational Education and Training (VET) that focuses on Automobile Mechatronics and the Advance Technical Training (ATT).

These training programmes are conducted with the technical assistance of Daimler AG. Students are trained free of charge and receive an allowance, subsidised meals, uniforms and other benefits. The training school offers students a comfortable, spacious learning environment with 3 fully equipped lecture rooms, a modern electronics lab, a large workshop for vehicle repairs, a similarly large workshop for basic metalwork training, special tools to repair Mercedes-Benz vehicles, high quality basic hand tool sets, specific electronic diagnostic equipment for Mercedes models and common electronic diagnostic equipment for other brands such as TATA. Upon completion of the course, graduate apprentices are free to seek employment or to use their training to become entrepreneurs. Students could also find employment at DIMO in the event of vacancies becoming available at the Company.

During the year under review the Group spent Rs. 65 million worth of monetised capital (2016/17 Rs. 57 million) to maintain DIMO Academy for Technical Skills. Today, over 550 students have graduated from both the Colombo and Jaffna training schools. In total, the DATS programmes have produced 38 diploma holders during the year, while 35 students are currently undergoing training.

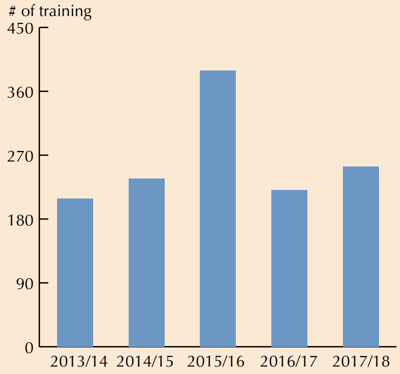
Providing apprenticeship training opportunities

We provide apprenticeship opportunities within DIMO to students from a number of institutions, thereby augmenting their educational qualifications and better preparing them for employment. 254 students are undergoing training at DIMO as at 31st March 2018 (221 in 2016/17). Training periods range from three months to one year, with a longer training period for NAITA apprentices.

Students from the following universities and institutes where enrolled during the year

- NAITA (National Apprentice and Industrial Training Authority)
- The Ceylon German Technical Training Institute
- The University of Moratuwa
- The University of Peradeniya
- The University of Sri Jayewardenepura
- The University of Kelaniya
- The Vocational Training Authority of Sri Lanka
- The Automobile Engineering Training Institute
- The Ministry of Vocational and Technical Training
- The Open University of Sri Lanka
- CETRAC (Construction Equipment Training Centre)
- The Asian Aviation Centre (Pvt) Ltd

Number of Apprentices Given Training by the Group



Formula Students - Quest for Talent for the Second Continuous Year

Formula Student is Europe's best known educational motor-sport competition, backed by the industry and high profile engineers. Each year, the competition challenges engineering students from around the world to design, build and race a single-seat racing car. Team SHARK from the University of Moratuwa was the first Sri Lankan team to enter the Formula Student competition in 2016 and their entry was fully sponsored by DIMO. Team SHARK won three awards - for 'Best Newcomer in Class 1', 'Dedication to Formula Student Award' and an individual award for the 'Top Individual Driver' at the Formula Student World competition held at the Silverstone Circuit, UK in July 2016. And this year we are proud to disclose that we are sponsoring the Team SHARK from University of Moratuwa for the second time. This year too Team SHARK is given expert advice and guidance by the Company and have full access to DIMO's Siyambalape site facilities to build the car. The competition is scheduled to be held in July 2018 at Silverstone Racing Circuit in United Kingdom...

Boosting employment skills in Agriculture sector

DIMO initiated a harvester operations training programme in collaboration with the Ministry of Skill Development and Vocational Training, with the aim of promoting more efficient and technological agricultural techniques among Sri Lankan youth. The participants will be awarded a recognized National Vocational Qualification (NVQ) Level 3 certification accredited by the Tertiary and Vocational Education Commission of Sri Lanka. The programme was launched during the year and 49 students have been trained as at 31st March 2018.

Career guidance

Career guidance workshops were conducted for 678 students of 10 Universities including vocational training institutes which addressed how to meet employer expectations. DIMO also provided assistance to GIZ the German Development Cooperation, a not-for-profit organisation, in offering mobile career guidance counselling about the NVQ qualification system to rural youth. The programme, launched to commemorate 60 years of Sri Lanka - German co-operation, entails a team travelling island wide by a purpose built bus to offer counselling.

Developing the social and physical infrastructure of the community

The quality of social and physical infrastructure has a positive correlation to the economic health of a country. Therefore, as a responsible corporate citizen, we go the extra mile to contribute towards such development.

Road safety and driver training

Sri Lanka has a high traffic-related fatality rate. DIMO undertook a timely initiative to enhance the driving skills of both beginners and experienced drivers by establishing an institute aimed at promoting road safety and reducing the number of road accidents. The DIMO Nasevena Technical Education Centre (DTI) is located on a 9 acre site in Sooriyawewa, Hambantota. The DTI employs classroom and practical training methodologies using world class curriculums. During the year under review Rs. 20 million worth of monetised capital (2016/17 – Rs. 23 million) was invested in maintaining Nasevena Technical Education Centre (DTI).

We took this effort further by hosting driver training programmes for our customers. Emperor and DIMO Riyaduru Samaaja, two customer loyalty associations, together held 12 programmes during the year where 10 fleet owners were educated on safe driving techniques.

> Sri Lanka has a high traffic-related fatality rate. DIMO undertook a timely initiative to enhance the driving skills of both beginners and experienced drivers by establishing an institute aimed at promoting road safety and reducing the number of road accidents

DIMO රන්දිය

We noted that families in a neighbouring war stricken village in Polonnaruwa lack quality drinking water and are thus exposed to kidney related issues. As a responsible corporate, we immediately invested in a drinking water system comprising of a tube well, filtration system and a solar panel, which now provides safe drinking water to more than 1000 villagers. 72 volunteer hours were invested by our employees toward this effort.

Developing the quality and livelihood of the local community

We strive to build enduring, mutually beneficial relationships with all our local communities. In this process we invest in initiatives that enhance their living standards and livelihoods.

School supply donation

The DIMO Siyambalape service team and DIMO Weliweriya team (the logistic centre) organised their annual book donation in December 2017, for the 7th consecutive year. This event also serves as a stakeholder engagement initiative, helping us to maintain a good relationship with the neighbouring community. The event was held at the Siyambalape branch premises for children of families living near the Siyambalape workshop. School books, stationery and DIMO branded school bags were distributed among 100 school children.

The DIMO Ampara Branch donated schoolbags to school children residing in the Batticaloa area. 44 DIMO branded school bags were distributed among the participants.

A house for the turtle nest protector

As part of DIMO's conservation project for Turtles (As explained in page 125 of environmental impact report) we have taken the initiative to build a house to support the nest protector of DIMO's Turtle Project in Panama, Arugambay. This project is expected to enhance the livelihood of the turtle nest protector while ensuring the nest protectors' continuous involvement in the turtle conservation project. The investment on the project was Rs.1.5 million.

Blood donation camp

A blood donation campaign was organised by DIMO's Kurunagala Regional Centre for patients suffering from kidney-related disease. More than 60 people donated blood at this worthy event.

MANAGING THE RISKS AND OPPORTUNITIES

Key risks

Area of concern	Risk and mitigation
Aligning employee behaviour to the Group's code of business ethics	Employee behaviour is a reflection of organisation's values and its ethical business conduct. DIMO employees work across the country at our branches. It is vital that each of these employees is equally aware and aligned to the Group's code of ethics and corporate values. Unacceptable behaviour even by just one employee could severely affect the Group's overall reputation. Our human capital management activities ensure that our employees are aligned to the Group's strategies and code of ethics. Related information is detailed from pages 78 to 82 of Human Capital Management Report. The Group's ethical business conduct is detailed on page 127 of social impact report.
The labour practices of subcontractors	Those employed by our subcontractors, such as janitors, security personnel, manpower workers et al are individuals that are indirectly employed in the Group. The manner in which they are treated indirectly becomes a Group's responsibility and therefore impacts the Group's reputation. The Group's labour practices are SA 8000:2014 accredited. This ensures that our labour practices are ethical and responsible. Moreover, it ensures that the performance of subcontractors is equally ethical and responsible. More information in this regards is disclosed on pages 126 to 131 of the social impact report.
Unacceptable employee behaviour negatively affecting Group's Overall brand reputation	The Group's corporate values as presented on page 05 of this report promote ethical behaviour. New employees are educated on the importance of such values during their orientation. Each and every employee is expected to adhere to the Group's code of business ethics which is available on Group's intranet. Any unacceptable behaviour detected is communicated and discussed at monthly employee council meetings. During the year, there were no such material incidents reported.

Key opportunities

Area	Opportunity
Aligning employee behaviour to the Group's code of ethics.	The successful alignment of all employees to the Group's code of ethics allows the Company to create a sustainable competitive advantage. We are proud to say that over the 79 years of service excellence, the ethical behaviour of our employees has generated a unique reputation for the Group.
The labour practices of subcontractors.	By influencing labour practices of subcontractors, the Group has the opportunity of making a positive impact on society by improving the livelihoods of those workers. This allows the Group to achieve its strategic goal being a "responsible corporate citizen"

MANAGEMENT OF RISKS

In this section we review our Risk Management framework and policies and analyse what we have been doing to manage the risks inherent in our value chain activities.

Risk Management **133**

RISK MANAGEMENT

MANAGING RISKS THAT AFFECT GROUP'S ABILITY TO CREATE VALUE.

Managing risk is a key aspect of the Board's stewardship obligations and a constituent of the 'performance' dimension of Enterprise Governance. It is the process of identifying, evaluating and then prioritising the risks that will affect the Group. Thereafter, planned action is taken to minimise the impact of negative effects or to seize reasonable opportunities.

As indicated in our value creation model on pages 32 and 33, risks are identified based on the type of management activity carried out for value creation.

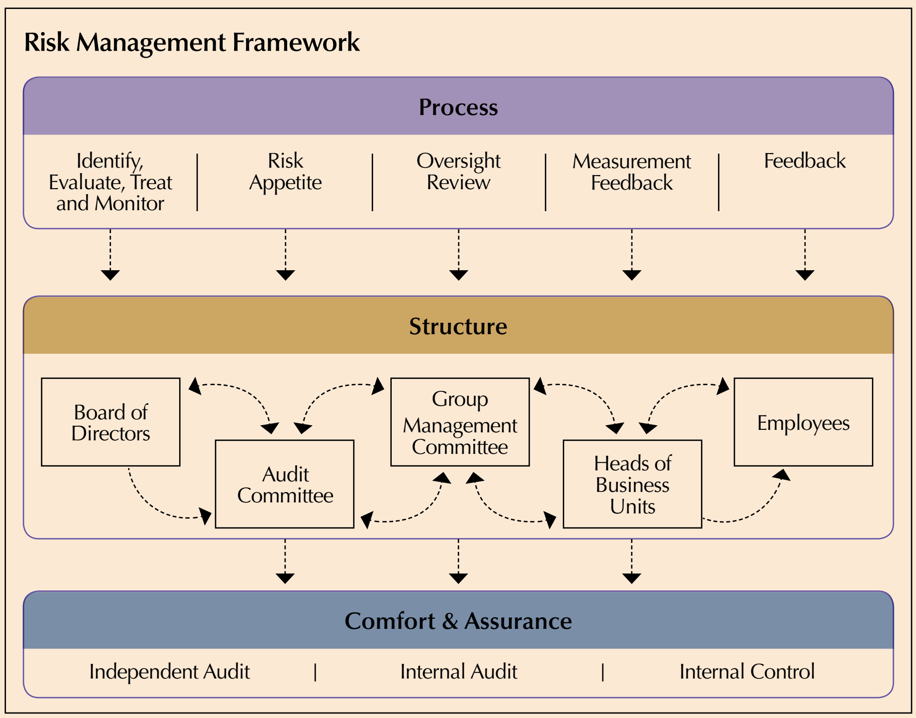
Risks related to the management of capitals, value chain and impacts are managed by each respective units that has direct responsibility to ensure value creation through those activities. Risks that exceed the Group's risk appetite are managed at corporate level by the Board of Directors to ensure that they are treated and mitigated adequately.

A Framework that ensures risks are well managed

The Board is responsible for ensuring effective risk management at corporate level. The risk management framework indicates how they convert this mandate into action.

Each division is required to maintain a risk register to record significant uncertainties of the division as mandated by the Quality Management System. The Head of each business unit is expected to identify and record significant uncertainties throughout the value chain managed by the division.

Uncertainties that have a significant impact over the division's performance are communicated to the Group Management Committee (GMC) at the quarterly performance review meetings and annual budget meetings.



The GMC examines such uncertainties, identifies potential risks that could expose the Group to situations that may seriously reduce earnings, threaten its sustenance, impair its liquidity or lead to legal, regulatory or reputational risks.

The Audit Committee reviews the effectiveness of the risk management process, which includes all aspects from determining risk appetite at Board level to measurements and feedback at operational level.

Internal control, internal audit and independent assurance provide comfort and assurance on the risk management process. While internal controls focus on operations, the assurance provided by the internal audit and independent parties deals with any gaps, from their identification to the management of risks

RISK EVALUATION AND MAPPING

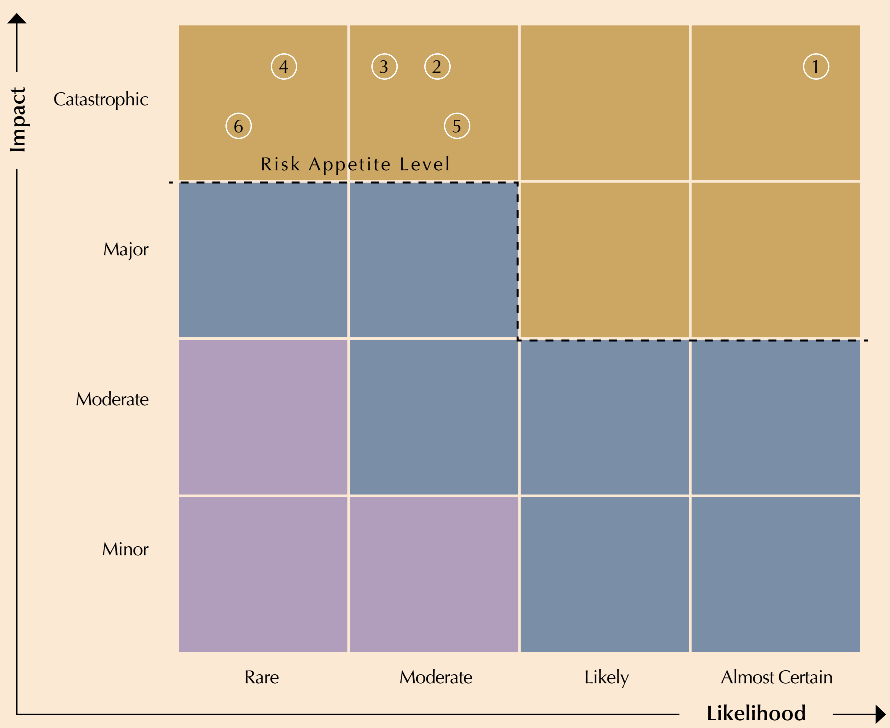
A risk map is developed based on the assessment of likelihood of occurrence and the potential impact of risks, should they occur. Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. A ranking of 'almost certain', 'likely', 'moderate' or 'rare' is assigned to each risk, relating to the probability of its occurrence. The impact of the event is assessed by determining the loss it would cause and the extent of the impact. After consideration of these two factors, the impact is then categorised as 'minor', 'moderate', 'major' or 'catastrophic'.

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 GMC 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.

Risk Assessment Matrix and Risks that exceed Group's Risk Appetite

Risk Map



Risks that Exceed Group's Risk Appetite

1. Volatility of import regulations and government tariff policy on automobile.
2. Disruptions to the relationship with Business Partners
3. A weakness in employee health and safety precautions resulting significant damage to employee's health and safety.
4. Loss of confidential and operational data due to security breaches / system breakdowns in the IT systems.
5. Loss of reputation arising from unacceptable corporate behaviour
6. Possible damages to people and property from disasters such as fire.

MANAGING RISKS RELATED TO CAPITALS

Risks that threaten the availability, affordability and quality of the capitals are identified and managed by divisions directly responsible for managing such capitals. The table below provides a navigation on where risks related to capitals are discussed.

Capital	Page Reference for discussions
Risks Affecting Monetised Capital	Page 69
Risks Affecting Customer Relationship Capital	Page 74
Risks Affecting Business partner relationship capital	Page 77
Risks Affecting Human Capital	Page 82
Risks Affecting Intellectual Capital	Page 86
Risks Affecting Natural Capital	Page 91

MANAGING RISKS RELATED TO VALUE CHAIN

Risks that affect the operations of each value chain are managed at business segment level. The table below provides a guide to the significant risks that each segment identified and managed during the year.

Segment	Page Reference for discussions
Vehicle Sales	Page 95
Vehicle - After Services	Page 99
Marketing and Distribution	Page 101
Construction and Material Handling Equipment	Page 104
Agriculture	Page 107
Electro-Mechanical, Bio-Medical and Marine Engineering	Page 109

MANAGING RISKS RELATED TO IMPACTS

The group makes positive and negative impacts on society, economy and the environment throughout its value chain. Those impacts could generate significant risks to the Group's sustenance if not managed properly. The table below presents where such risks are discussed in details.

Impact Category	Page Reference for discussions.
Risks arising from Impacts generated to the Economy	Page 119
Risks arising from Impacts generated to the Environment	Page 125
Risks arising from Impacts generated to the Society	Page 131

MANAGING RISKS AT CORPORATE LEVEL

Risk management at corporate level includes the risks that fall beyond the Group's risk appetite. Board of Directors evaluate such risks, decide on sufficient mitigation activities and monitor the effectiveness of such activities. Presented below is an account of the risks that received Board attention during the year.

1. Volatility of import regulations and government tariff policy on automobile.

60.7% of the Group's revenue is generated by the vehicles sales segment. The automobile market is vulnerable to changes in Government tariff policy, which affect the price and thereby market demand. The number of vehicles imported and sold are subjected to the constantly changing import regulations imposed by the government.

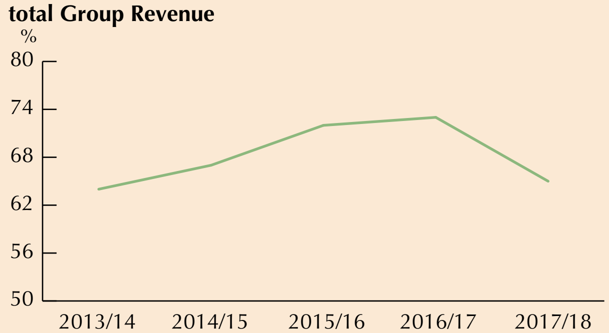
Mitigation at Corporate Level

Reduce the dependency on the Vehicle Segment, by gradually strengthening other business segments, which are Marketing & Distribution, Construction and Material Handling Equipment, agriculture and Electro Mechanical, Bio Medical Engineering and Marine Solutions. During the year under review, the Group invested Rs. 442 million on related diversification.

Areas Affected

Capitals	Monetised
	Relationship Capital Customer
	Relationship Capital Business Partners
Value Chain	Vehicle Sales
	Vehicle After Sales
	Construction and Material Handing

Vehicle Sales Segment Revenue as a percentage of total Group Revenue



2. Disruptions to the relationships with Key Business Partners

Disruptions to relationships maintained with business partners negatively affect the Group's ability to source supplies to its value chain and thereby impacts the functionality of the business segment to which the business partner provides inputs. Any disruption with one business partner could negatively affect the relationship maintained with other business partners as well.

Mitigation at Corporate Level

DIMO has focused on developing a mutually beneficial relationships with business partners. The Group strengthens these relationships by constantly engaging with the business partners. An independent survey is conducted once in three years to assess the extent to which the Group has achieved business partner expectations. A detailed account of our relationships with principals is given from pages 75 to 77.

Areas Affected

Capitals	Relationship Capital Business Partners
	Monetised
	Intellectual Capital
Value Chain	All business Segments
Strategic Outcomes	Increased ROE
	Business Partner of Choice
	Enhanced Brand Reputation

3. A weakness in employee health and safety precautions resulting in significant damage to employees' health and safety

Being an Engineering Solutions provider, the Group has 624 number of employees working at service workshops all over the country. These workshops consist of high tech machinery and sometimes the usage of hazardous chemicals which may cause health and safety issues to employees if necessary precautions are not adhered to properly. Such issues would negatively impact the Group's image as an employer and a responsible corporate citizen.

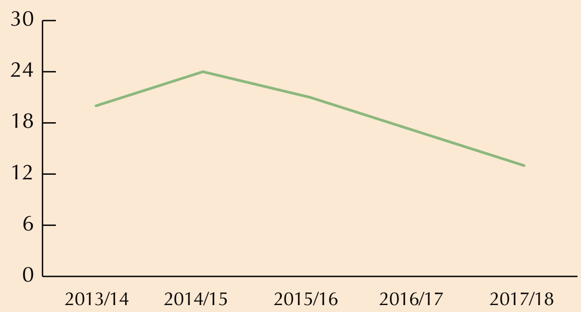
Mitigation at Corporate Level

The DIMO Health and Safety policy receives priority above everything else. Our Quality Management System and the Social Accountability management system provides the basis for employee health and safety. It requires the Group to ensure that a safe workplace is provided not only for employees but also for external contractors and visitors. A detailed account on this is provided on page 78 of the Human Capital section.

Areas Affected

Capitals	Human Capital
	Intellectual Capital
	Monetised Capital
Value Chain	All business Segments
Strategic Outcomes	Improved Stakeholder Satisfaction
	Responsible Corporate citizen
	Enhanced Brand Reputation

Number of Injuries that Caused More Than Three Lost Working Days



4. Loss of operational and confidential data due to security breaches / system breakdowns in the IT systems and disruption to operations due to breakdowns in IT systems

The Company possesses a great amount of confidential information on its customers, suppliers and principals. Similarly, information regarding large scale projects handled by the Group is highly confidential and valuable. A security breach can reveal such confidential information to competitors or to the public, which might ultimately lead to ethical and financial losses. The loss of operational information due to system breakdowns also has a major impact on business continuance.

Mitigation at Corporate Level

Among the many activities to manage and mitigate these risks, we undertake extensive controls and reviews to maintain efficiency of IT infrastructure and data, conduct periodic technical vulnerability assessments on the corporate network and websites, ensure regular backup of data and off-site storage of data backup systems and the availability of disaster recovery plans, while constantly educating the staff on the importance of information security and on handling of sensitive data through workshops and posters at key locations. The Presence of a dedicated Information Security & System Audit Manager further mitigates this risk.

Areas Affected

Capitals	Relationship Capital Customers
	Monetised Capital
	Intellectual Capital
Value Chain	All business Segments
Strategic Outcomes	Increased ROE
	Enhanced Brand Reputation
	Improved stakeholder satisfaction
	Responsible Corporate citizen

During the year;

Training

05	**57**
Training sessions on information security and data handling	IT security and vulnerability audits carried out

05. Loss of social license to operate as a result of corporate behaviour against the interests of society

Economic, environment and social impact are inherent to business value creation. It is vital that we identify negative impacts on time and address them appropriately to maintain social acceptance and our licence to operate.

Mitigation at Corporate Level

The Board together with the GMC has established a comprehensive stakeholder engagement process that identifies material issues affecting the Group's material stakeholder groups. Impact management activities are in place to ensure material impacts generated by the Group's value chain on the triple bottom line are managed properly. Refer page 113 for the Groups ESG integration strategy and pages 114 to 131 for the detail analysis on impacts generated by the Group on triple bottom line.

Areas Affected

Value Chain	All Business Segments
Capitals	Intellectual Capital
	Natural Capital
	Monetised Capital
Strategic Outcomes	Improved Stakeholder Satisfaction
	Responsible Corporate citizen
	Enhanced Brand Reputation

Accreditations/Certificates/Recognitions that Complements the Group's Socially Acceptable Behaviour

06. Possible damage to people and property from disasters such as fire, flood etc.

Damage from fire and floods has been identified as a key disaster related risk for DIMO. The usage of gas and other energy sources in workshops increases the risk of fire, unless proper precautions are followed. The employees, visitors and property would be subject to damages. The location in which the head office is situated is an area that is subject to sudden flood in case of heavy rains. This affects the day to day operations of the Company and threatens the safety of inventory stored at the head office premises (vehicles and parts).

Mitigation at Corporate Level

Preventive measures of safety have been taken and employees are continuously trained and educated on reducing the possible damages to people and property. The financial loss of such incidents has been transferred to insurance indemnities. The Head office premises have been renovated to face sudden flood situations better.

Areas Affected

Value Chain	All Business Segments
Capitals	Monetised capital
	Human Capital
	Intellectual Capital
Strategic Outcomes	Increased ROE
	Responsible Corporate citizen
	Improved Stakeholder Satisfaction

CHANGE IS VALUABLE

FINANCIAL STATEMENTS

Here we give the reader a detailed account of our monetised resources and the monetised results of our value chain management activities, one of the five key outputs we aim to achieve. We provide the reader with detailed notes and give context to the numbers in the financial statements. The Accounting policies and Basis of Preparation are also presented here.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors take pleasure in presenting the Annual Report of the Company for the financial year ended 31st March 2018, that includes and covers the Audited Financial Statements, Chairman's Message, Group Chief Executive Officer's Review, Enterprise Governance, Committee Reports, Risk Management Report, Capitals Management Report, Value chain Management Report, Impact Management Report, Statements of Responsibility, Auditors' Report, Independent Assurance on Non- Financial Reporting and other relevant information.

The information table on 'Disclosures required by the Companies Act No. 07 of 2007' appearing on page 48 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 30th May 2018. The required number of copies of the Company's Annual Report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the stipulated time.

GROUP STRUCTURE AND NATURE OF OPERATIONS

The Group structure and names of Directors of the Company and its subsidiaries are available on page 19.

A brief description of the nature of the principal business activities of the Group and the Company is given in Note 2.2 to the Financial Statements on page 158.

Investments and Acquisitions during the year

During the year, the Group invested in DIMO Lanka Company Limited, Myanmar, PlantChem (Private) Limited, Plant Seeds (Private) Limited and DIMO Coastline (Private) Ltd, Republic of Maldives, which are disclosed in Note 4.12 appearing on pages 179 to 183. DIMO Lanka Company Limited, which is a fully-owned subsidiary of the company, invested in United DIMO Lanka Company Limited, Myanmar, which is given in Note 4.12 appearing on page 179.

STATEMENTS OF ASPIRATION, PURPOSE AND VALUES

The Company's statements of aspiration, purpose and values are available on page 5. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving the aspiration and purpose. All employees are given a copy of the Code of Business Ethics of the Company and employees are required to adhere to it.

REVIEW OF PERFORMANCE

A review of performance and future outlook of the Group is available in the Chairman's Message (pages 8 to 11), the Group Chief Executive Officer's Review (pages 12 to 15) and the sections titled Management of Capitals Report (pages 60 to 91), Management of Value chain (pages 92 to 111) and Management of Impact Report (pages 112 to 131).

DISCLOSURES

The Annual Report of the Company fulfils the disclosure requirements of the Sri Lanka Accounting Standards (SLFRs/LKASs), Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

FINANCIAL STATEMENTS

The Financial Statements of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/LKASs), issued by the Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange. The aforementioned Financial Statements for the year ended 31st March 2018 signed on behalf of the Board by the Chairman/Managing Director and Director/ Chief Financial Officer (a member of the Board), are given on pages 152 to 205.

FINANCIAL RESULTS AND APPROPRIATIONS

Turnover

The total gross Group turnover generated by the six business segments was Rs. 43,686 million (2016/17 - Rs.44,493 million), while the turnover of the Company was Rs. 40,711 million (2016/17 - Rs. 41,564 million). A segment wise analysis is given in Note 4.2 appearing on pages 165 to 167.

PROFIT AND APPROPRIATIONS

The profit after tax of the Company was Rs. 325 million (2016/17 - Rs.593 million) whilst the group profit attributable to equity holders of the parent for the year was Rs. 550 million (2016/17 - Rs.657 million).

The Company's total comprehensive income for the year was Rs. 1,554 million (2016/17 - Rs.565 million) and the Group total comprehensive income attributable to parent was Rs. 1,789 million (2016/17 - Rs.628 million)

An interim dividend of Rs.20.00 per share for the year ended 31st March 2018 was paid during the year. The Group transferred Rs. 150 million from retained earnings to general reserves during the year and the corresponding figure for the Company was Rs. 150 million. Further information on dividends and reserves are available in Note 4.8 and 4.20 to the Financial Statements respectively.

THE BOARD OF DIRECTORS

The Board of Directors of the Company consisted of thirteen members as at 31st March 2018. Information relating to the Directors of the Company is available in the Directors' Profile on pages from 22 to 25.

The names of the Directors of Subsidiary Companies are given on page 19.

New Appointments and Resignation of Directors

The following Director was appointed to the Board with effect from 27th July 2017.

Name of the Director	Executive/Non-Executive status
A.N.Ranasinghe	Independent Non-Executive

RETIREMENT AND RE-ELECTION OF DIRECTORS

Mr. R.C Weerawardana retired from the Board with effect from 30th September 2017.

Mr. A. N. Algama, Mr. A.G. Pandithage and Mr. A.M. Pandithage retire by rotation in terms of the Article 66 of the Articles of Association of the Company, and are eligible for re-election.

Mr. A.N. Ranasinghe who was appointed as Director during the financial year 2017/18, retire in terms of the Article 71 of the Articles of Association of the Company, is eligible for re-election at the forthcoming Annual General Meeting.

The agenda for the Annual General Meeting includes two separate ordinary resolution to be taken up to re-appoint Mr. A.R. Pandithage as a Director, who has reached the age of 70 and Mr. R. Seevaratnam as a Director, who has reached the age of 74.

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 and Mr. R. Seevaratnam completed nine years in office as Non- Executive Directors on 30th September 2015 and 31st December 2015 respectively.

The Board recognises that Dr. H. Cabral and Mr. R. Seevaratnam have acted in an independent manner over the years bringing their 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 their status as Independent Directors have been impaired in any manner due to their tenure in office. Having taken into account all relevant aspects, the Board determined that Dr. H. Cabral and Mr. R. Seevaratnam continue as 'Independent Non-Executive Directors' of the Company.

BOARD COMMITTEES

The Board of Directors has appointed four Committees to assist the Board. They are Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee. While the first three Committees are required by the Listing Rules of Colombo Stock Exchange, functioning of all four Committees are recommended by the Code of Best Practice on Corporate Governance - 2017 issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. The terms of reference of each Committee is set by the Board.

Mr. A.N. Ranasinghe was appointed as a member of the Audit Committee, Nomination Committee and Related Party Transactions Review Committee with effect from 9th November 2017.

BOARD AND BOARD COMMITTEE MEETINGS

The number of Board meetings held and the number of meetings attended by the Directors is given on page 45. The number of Board Committee meetings held and the attendance of members are given in the respective Committee Report appearing on pages 53 to 54, 55, 56 and 57.

REVIEW OF PERFORMANCE OF THE BOARD AND BOARD COMMITTEES

The performance of the Board was reviewed during the year by circulating a questionnaire among Directors.

The review of performance of Board Committees were carried out during the year by way of a discussion during the Board meetings and it was concluded that performance of all four Committees were satisfactory.

DIRECTORS' REMUNERATION

Director's 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 given on page 208 under 'Share Information'.

Dr. H. Cabral, Mr. B. C. S. A. P. Gooneratne, Mr. P. K. W. Mahendra, Mr. S. R. W. M. C. Ranawana, Mr. R. Seevaratnam, Mr. A. D. B. Talwatte and Mr. A.N. Ranasinghe, who are Directors of the Company did not hold any shares of the Company as at 31st March 2018.

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 for 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 the Section 119 (1) (d) of the Companies Act No. 07 of 2007.

The particulars of the Directors' Interests in Contracts are given on page 144 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.

RELATED PARTY TRANSACTIONS

Non- Recurrent Related Party Transactions

There were no non-recurrent related party transactions of which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company during the year ended 31st March 2018, which require specific disclosures in the Annual Report as required by Listing Rule 9.3.2 of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate exceeded 10% of the consolidated revenue of the Group as per 31st March 2017 audited Financial Statements, which required additional disclosures in the 2017/18 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.

The members of the Board of Directors of the Company have been identified as Key Management Personnel. The Key Management Personnel have disclosed transactions, if any, that could be classified as Related Party Transactions in terms of LKAS 24 - 'Related Party Disclosures', and are given in Note 5.1 to the Financial Statements.

ACCOUNTING POLICIES

The significant Accounting Policies adopted by the Group and the Company are given on pages 158 to 203.

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 2018 and of their performance for the year ended on that date.

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 page 148 to 151 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.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Board considers that strong internal controls are integral to 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 the Enterprise Governance Report, Audit Committee Report, Risk Management Report and Board of Directors' Statement on Internal Controls available on pages 40 to 58, pages 53 to 54, pages 133 to 138 and page 145 respectively.

DECLARATION

The Directors declare that:

I. to the best of their knowledge and belief, the Group/Company has not engaged in any activity, which contravenes laws and regulations of the country.

II. all material interests in contracts involving the Company has been disclosed by them and refrained from voting on matters in which they were materially interested.

III. the Company has made all endeavours to ensure equitable treatment of all shareholders.

IV. the business is a going concern and that the Board of Directors has reviewed the Company's business plans and 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 and its subsidiaries as going concerns.

V. internal controls covering financial, operational, risk management and compliance controls have been reviewed, and have obtained reasonable assurance from Internal Audit of their effectiveness and successful adherence.

ENTERPRISE GOVERNANCE

The Enterprise Governance section appearing from pages 46 to 51 shows the manner in which the Board plays its stewardship role.

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.

MATERIAL FORESEEABLE RISK FACTORS

Information pertaining to material foreseeable risk factors are discussed in the Risk Management Report on pages 133 to 138.

EMPLOYMENT

The Group practices and policies relating to selection, training, development, promotion and employee relations are detailed in the section titled 'Human Capital' on pages 78 to 82.

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 top twenty shareholders are available on pages 207 to 208 under 'Share Information'.

DONATIONS

The Group and the Company made donations during the year amounting to Rs. 7.6 million and Rs. 7.3 million respectively (2016/17 - Group: Rs.6.0 million, Company - Rs.5.8 million).

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group and the Company incurred Rs. 444 million and Rs. 404 million respectively

(2016/17 - Group: Rs. 724 million, Company: Rs.701 million) on acquisition of property, plant and equipment, details of which are available in Note 4.9 to the Financial Statements.

The investment in intangible assets by the Group during the year was Rs. 108 million, which included an amount of Rs. 103 million as goodwill on acquisition of shares in Plant Seeds (Private) Limited, whilst the investment in intangible assets by the Company was Rs. 5 million, which was on account of computer softwares purchased. (2016/17 – Group: Rs. 21 million, Company : Rs. 21 million).

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.

MARKET VALUE OF FREEHOLD LAND

A qualified independent valuer carried out a revaluation of the Company's freehold land on 16th October 2017 and the carrying value of freehold land has been adjusted accordingly. The details of market value of freehold land are given in Note 4.9.1 to the Financial Statements.

STATED CAPITAL

The stated capital of the Company as at 31st March 2018 amounted to Rs.425 million (2016/17- Rs.425 million), details of which are available in Note 4.19 to the Financial Statements. There were no shares issued during the financial year.

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.

ENVIRONMENTAL PROTECTION

Policies and endeavours made on environmental preservation by the Group and the Company are detailed in Impact Management Report under Environmental Impact on pages 120 to 125.

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 5.4 to the Financial Statements on page 205.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the registered office of the Company, No. 65, Jetawana Road, Colombo 14 on Thursday, 28th June 2018 at 8.30 a.m. The notice of Annual General Meeting is given on page 222.

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/Secretary/Chief Financial Officer

Colombo
30th May 2018

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 5.1 to the Financial Statements on pages 204 to 205. In addition, the Company carries out transactions in the ordinary course of business with entities where the Director of the Company is the Chairman or a Director of such entities as detailed below.

Director /Company	Relationship to Company	Nature of the transaction	Outstanding as at 31st Mar 2018 (Rs.'000)	Outstanding as at 31st Mar 2017 (Rs.'000)
Mr. A.M Pandithage				
Advantis Projects & Engineering (Pvt) Ltd	Director	Repairing and servicing of Vehicles	231	-
		Sales of Spare parts	286	156
Alumex PLC*	Director	Sales of Spare parts	114	-
		Repairing and servicing of Vehicles	5	425
Dipped Products PLC	Director	Repairing and servicing of Vehicles	115	162
Fentons Ltd	Director	Sales of Spare parts and lighting products	670	25
Haycarb PLC	Director	Repairing and servicing of Vehicles	14	89
Hayleys Advantis Ltd	Director	Repairing and servicing of Vehicles	63	33
Hayleys Aventura (Private) Limited	Director	Sales of Spare parts	561	-
Hayleys Fabric PLC	Director	Repairing and servicing of Vehicles	113	40
		Sales of Spare parts	142	-
Hayleys Free Zone Limited	Director	Repairing and servicing of Vehicles	38	-
Hayleys Global Beverages (Pvt) Ltd	Director	Repairing and servicing of Vehicles	-	20
Hayleys Lifesciences (Pvt) Limited	Director	Sales of Spare parts	137	-
Hayleys PLC*	Chairman/Director	Repairing and servicing of Vehicles	107	1,108
Horana Plantations PLC	Director	Repairing and servicing of Vehicles	366	-
		Sales of Spare parts	94	44
Kelani Valley Plantations PLC	Director	Repairing and servicing of Vehicles	153	-
Lanka Orient Express Lines Ltd	Director	Repairing and servicing of Vehicles	20	6
Logistics International Limited	Director	Sales of Spare parts	4	-
Logiwiz Ltd	Director	Repairing and servicing of Vehicles	959	530
Ravi Industries Ltd	Director	Repairing and servicing of Vehicles	10	-
		Sales of Vehicles	365	2,703
S & T Interiors (Pvt) Ltd	Director	Sales of Spare parts	33	-
Singer (Sri Lanka) PLC	Director	Sales of Vehicles	3,191	-
Sri Lanka Shipping Co Ltd	Director	Repairing and servicing of Vehicles	687	-
Talawakelle Tea Estates PLC	Director	Sales of Spare parts	46	-
The Kingsbury PLC	Director	Sales of Spare parts	73	-
Uni Dil Packing Limited	Director	Repairing and servicing of Vehicles	106	-
Mr. R. Seevaratnam				
Alpha Apparels Ltd	Director	Repairing and servicing of Vehicles	40	19
Distilleries Company of Sri Lanka PLC	Director	Repairing and servicing of Vehicles	269	-
		Sales of Spare parts	27	216
Lankem Ceylon PLC	Director	Repairing and servicing of Vehicles	52	-
		Sales of Spare parts	250	-
Nestle Lanka PLC	Director	Repairing and servicing of Vehicles	36	-
		Sales of Spare parts and lighting products	20,600	1,472
		Sales of Vehicles	242	-
Omega Line Ltd	Director	Repairing and servicing of Vehicles	256	112
Sirio Limited	Director	Sales of Spare parts and lighting products	-	188
Tokyo Cement Company Lanka PLC**	Director	Repairing and servicing of Vehicles	8,870	1,548
		Sales of Spare parts	234	603
		Sales of Vehicles	4,457	11,625
Mr. A.N. Ranasinghe				
Laugfs Gas PLC	Director	Repairing and servicing of Vehicles	616	-
Laugfs Lubricants Limited	Director	Repairing and servicing of Vehicles	35	-
		Sales of Spare parts	414	-
Laugfs Supermarket (Pvt) Ltd	Director	Sales of Spare parts	1,775	-
Mr. A.D.B. Talwatte				
Central Finance Co PLC	Director	Repairing and servicing of Vehicles	82	-
		Sales of Spare parts	321	-
Ceylon Hospitals PLC	Director	Sales of Spare parts	2,987	-
Durdans Medical & Surgical Hospital (Pvt) Ltd	Director	Sales of Spare parts	2,276	-
Dr. Harsha Cabral				
Tokyo Cement Power (Lanka) Ltd	Director	Repairing and servicing of Vehicles	140	-
Tokyo Eastern Cement Company (Private) Ltd	Director	Repairing and servicing of Vehicles	431	-
		Sales of Spare parts	1,390	-
		Sales of Vehicles	-	23,250

* *Dr. Harsha Cabral is also a Director of the said Company listed under the name of Mr. A.M Pandithage*

** *Mr. A.D.B. Talwatte and Dr. Harsha Cabral are also Director of the said Company listed under the name of Mr. R. Seevaratnam*

BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

REQUIREMENT

The Section D.1.3 of the 'Code of Best Practice on Corporate Governance 2013' (The Code) issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Statement on Internal Controls in the Annual Report.

RESPONSIBILITY

Maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets is the responsibility of the Board of Directors.

However, an internal control system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against successful management of risks, financial losses or fraud.

The Board identifies significant risks on an ongoing basis and takes necessary steps for implementation of appropriate procedures to evaluate and manage the identified risks.

KEY INTERNAL CONTROL PROCESSES

- The Board Committees and 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 objectives, strategy, annual budget, policies, taking in to 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. More details are available in Audit Committee Report on pages 53 to 54.
- The Audit Committee reviews internal control issues identified by the Group Internal Auditors, the Independent External Auditors, regulatory authorities and the management evaluates the adequacy of the internal control system.

CONFIRMATION STATEMENT

The Board of Directors of Diesel & Motor Engineering PLC ('Group') confirm 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 has been done in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and regulatory requirements.

By order of the Board,

A.R. Pandithage
Chairman/Managing Director

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

A.D.B. Talwatte
Chairman-Audit Committee

Colombo
30th May 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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 148 to 151.

The Companies Act No. 7 of 2007 requires the Directors 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 its subsidiaries as at the end of the financial year and the profit or loss of the Company and the Group for the financial year, and place them before a general meeting of shareholders. The Financial Statements comprise of the Statement of Financial Position as at 31st March 2018, the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and Accounting Policies and Notes thereto.

Accordingly, the Board of Directors confirms that the Financial Statements of the Group and the Company give a true and fair view of the;

- financial position of the Company and its subsidiaries as at 31st March 2018; and

- financial performance of the Company and its subsidiaries for the financial year ended.

Directors also ensure 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.

The Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group.

The Directors also are responsible for taking reasonable measures to safeguard the assets of the Group/Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and irregularities.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented.

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 2018 and the 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.

By Order of the Board,

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

Colombo
30th May 2018

FINANCIAL CALENDAR

Interim Financial Statements-2017/2018	Submitted On
Three months ended 30th June 2017	27th July 2017
Six months ended 30th September 2017	10th November 2017
Nine months ended 31st December 2017	15th February 2018
Twelve months ended 31st March 2018	30th May 2018

Annual Report – Financial year ended 31st March 2018	4th June 2018
73rd Annual General Meeting to be held on	28th June 2018
Interim dividend paid for 2017/2018 - paid on	29th March 2018

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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TO THE SHAREHOLDERS OF DIESEL & MOTOR ENGINEERING PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Diesel & Motor Engineering PLC and its subsidiaries (the Group), which comprise the statement of financial position as at 31st March 2018, 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 153 to 205.

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 Group as at 31st March 2018, 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 of 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.

Impairment of Trade Receivables

Nature and area of focus	Our response
The Group has recognised a total impairment provision of Rs. 464 million (2016/17: Rs. 545 million) in the total trade receivables amounting to Rs. 6,455 million (2016/17: Rs. 4,816 million). Impairment allowances represent management's best estimate of the losses incurred within trade receivables at the reporting date. They are calculated for individually significant trade receivables and on a collective basis for portfolios of trade receivable of a similar nature. The calculation of impairment allowances is inherently judgemental for any institution. All individually significant receivables are individually assessed for impairment by considering objective evidence. Collective impairment allowances are calculated using statistical models concurrent with the historical information on the probability of default, the timing of recoveries, and the amount of loss incurred and making adjustments to current economic and credit conditions. The inputs to these models are subject to management judgment and model overlays are often required. The audit was focused on impairment due to the materiality of the balances and the subjective nature of the calculation. ***See note 3.7 for Use of Judgments and Estimates and note 4.16 for information and accounting policy***	Our audit procedures among others included: • 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 and reviewing the underlying documents to verify the details recorded in the database such as the credit limits, historical patterns of receipts and reviewing cash received subsequent to year end for its effect in reducing amounts outstanding at year end etc. • Assessing whether the Group policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimates made in respect of trade receivable provisioning. • Assessing the adequacy of the Group disclosures in respect of credit risk.

KPMG

Carrying value of Inventories

Nature and area of focus	Our response
The Group has recognised a total impairment provision of Rs. 350 million (2016/17: Rs. 406 million) in the total gross inventory amounting to Rs. 9,911 million (2016/17: Rs. 9,348 million). Assessing net realisable value is an area of significant judgment, particularly with regards to the estimation of provisions for slow-moving and obsolete inventory. ***See note 3.7 for Use of Judgments and Estimates and note no 4.15 for information and accounting policy***	Our audit procedures among others included: • Testing the design, implementation and operating effectiveness of the key controls management has established to manage inventories including the purchases, sales and holding of inventories. • Testing the design, implementation and operating effectiveness of the controls management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision. • Assessing the valuation of reporting date inventory levels, including assessing the reasonability of judgments taken regarding obsolescence. • Evaluating the net realisable value used for provision computation for the selected sample covering significant inventory categories. • Evaluating the appropriateness of the assumptions used based on our knowledge and information of the client and the industry. • Assessing the adequacy of inventory provisions held for slow moving and obsolete inventory by recalculating items included within the provision to ensure the accuracy of provision. • Assessing whether the Group policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimates made in respect of inventory provisioning.

Revaluation of Freehold Land

Nature and area of focus	Our response
The group has recorded a revaluation gain of Rs. 2,781 million by revaluing freehold land during the year. The Group entities have engaged professional valuer to determine the revalued amounts of freehold land. Estimating the fair value is a complex process involving a number of judgments and estimates regarding various inputs such as price per perch of the land. Consequently, we have determined the revaluation of freehold land to be a key audit matter. ***See note 4.9 for information and accounting policy***	Our audit procedures among others included: • Evaluating reasonableness of the value of the property by comparing the land prices used for the land valuation with the comparable land prices based on the available information. • Testing the property database information supplied to external valuers by management was consistent with the underlying property records held by the Company. • Assessing the competence, independence and integrity of the Valuer. • Assessing the adequacy of the fair value disclosures relating to freehold Land.

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 Consolidated Financial Statements

Management is responsible for the preparation of 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 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 Consolidated 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 scepticism 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 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.

KPMG
Colombo, Sri Lanka

30th May 2018

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.

CONSOLIDATED FINANCIAL STATEMENTS

The Financial Statements for the year ended 31st March 2018 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.

COMPOSITION OF FINANCIAL STATEMENTS

The Financial Statements comprise of the following;

- Statement of Profit or Loss and Other Comprehensive Income: Financial performance
- Statement of Financial Position: Financial position
- Statement of Changes in Equity: Summary of other comprehensive income and transactions with owners
- Statement of Cash Flows: Cash flows
- Notes to the Financial Statements: Comprising of Basis of Accounting (Section 3) and Specific Accounting Policies and Notes (Section 4) and other disclosures (Section 5).

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 140 to 143, 146 and 154 respectively, of this Annual Report.

AUTHORISATION OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

The Financial Statements for the year ended 31st March 2018, were authorised for issue by the Board of Directors on 30th May 2018.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Group Change %	Company 2018 Rs.'000	Company 2017 Rs.'000	Company Change %
Revenue	4.1	**43,686,158**	44,492,990	(2)	**40,710,842**	41,563,559	(2)
Sales taxes		**(250,797)**	(221,157)	13	**(202,458)**	(174,697)	16
Net revenue		**43,435,361**	44,271,833	(2)	**40,508,384**	41,388,862	(2)
Cost of sales		**(36,344,317)**	(36,874,214)	(1)	**(34,277,501)**	(34,802,483)	(2)
Gross profit		**7,091,044**	7,397,619	(4)	**6,230,883**	6,586,379	(5)
Other operating income	4.3	**187,847**	173,403	8	**151,033**	269,638	(44)
Selling and distribution expenses		**(865,623)**	(1,029,667)	(16)	**(788,824)**	(941,391)	(16)
Administrative expenses		**(4,775,941)**	(4,848,990)	(2)	**(4,257,115)**	(4,358,235)	(2)
Operating profit		**1,637,327**	1,692,365	(3)	**1,335,977**	1,556,391	(14)
Finance income		**171,368**	207,210	(17)	**154,264**	198,389	(22)
Finance costs		**(1,058,109)**	(856,183)	24	**(1,038,623)**	(848,378)	22
Net finance costs	4.4	**(886,741)**	(648,973)	37	**(884,359)**	(649,989)	36
Share of loss of equity-accounted investee, net of tax	4.12.5	**(2,980)**	-	100	**(2,980)**	-	100
Profit before tax	4.5	**747,606**	1,043,392	(28)	**448,638**	906,402	(51)
Income tax expense	4.6	**(193,391)**	(386,601)	(50)	**(123,733)**	(313,370)	(61)
Profit for the year		**554,215**	656,791	(16)	**324,905**	593,032	(45)
Other Comprehensive Income							
Items that will not be reclassified to profit or loss							
Remeasurement of defined benefit obligation	4.23.1	**38,019**	(40,795)	193	**27,013**	(39,213)	169
Deferred tax charge on actuarial (gain)/loss	4.24.2	**(10,646)**	11,423	(193)	**(7,564)**	10,980	(169)
Revaluation of freehold land	4.9	**2,780,984**	-	100	**2,780,984**	-	100
Deferred tax charge on Land revaluation	4.24.2	**(1,571,993)**	-	(100)	**(1,571,993)**	-	(100)
		1,236,364	(29,372)	4,309	**1,228,440**	(28,233)	4,451
Items that are or may be reclassified subsequently to profit or loss							
Foreign operations- foreign currency translation differences		**1,892**	-	100	**(85)**	-	100
Net fair value gains on remeasuring financial assets-available-for-sale		**371**	542	(32)	**363**	544	33
		2,263	542	(318)	**278**	544	(49)
Total other comprehensive income, net of tax		**1,238,627**	(28,830)	4,396	**1,228,718**	(27,689)	4,538
Total comprehensive income for the year		**1,792,842**	627,961	186	**1,553,623**	565,343	175
Profit attributable to:							
Owners of the Company		**550,308**	656,791	(16)	**324,905**	593,032	(45)
Non-controlling interest		**3,907**	-	100	**-**	-	-
		554,215	656,791	(16)	**324,905**	593,032	(45)
Total comprehensive income attributable to:							
Owners of the Company		**1,788,745**	627,961	185	**1,553,623**	565,343	175
Non-controlling interest		**4,097**	-	100	**-**	-	-
		1,792,842	627,961	186	**1,553,623**	565,343	175
Basic and diluted earnings per share - (Rs.)	4.7	**62.00**	73.99		**36.60**	66.81	

Figures in brackets indicate deductions.

Information and Notes in sections 1,2,3,4 and 5 appearing from page 152 to 205 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Assets					
Property, plant and equipment	4.9	**11,452,530**	8,299,035	**11,128,864**	8,298,487
Lease rentals paid in advance	4.10	**20,116**	22,321	**20,116**	22,321
Intangible assets and goodwill	4.11	**120,219**	24,051	**17,226**	24,044
Investments in subsidiaries	4.12.1	**-**	-	**428,591**	23,289
Equity-accounted investee	4.12.5	**55,098**	-	**55,098**	-
Financial assets-available-for-sale	4.14	**8,296**	7,825	**8,267**	7,804
Deferred tax assets	4.24	**24,906**	4,034	**-**	-
Total non-current assets		**11,681,165**	8,357,266	**11,658,162**	8,375,945
Inventories	4.15	**9,561,038**	8,941,711	**8,915,805**	8,574,365
Trade and other receivables	4.16	**5,997,911**	4,276,799	**4,466,471**	3,243,893
Other current assets	4.17	**934,878**	895,450	**613,467**	824,446
Current tax asset	4.29	**121,978**	6,393	**118,510**	-
Amounts due from related parties	4.30.1	**9,860**	-	**100,842**	79,319
Cash and cash equivalents	4.18	**265,532**	281,799	**191,538**	269,556
Total current assets		**16,891,197**	14,402,152	**14,406,633**	12,991,579
Total assets		**28,572,362**	22,759,418	**26,064,795**	21,367,524
Equity and Liabilities					
Equity					
Stated capital	4.19	**425,297**	425,297	**425,297**	425,297
Other components of equity	4.21	**4,050,962**	2,839,898	**4,049,154**	2,839,885
Revenue reserves	4.20	**7,299,899**	6,899,747	**6,148,714**	5,981,889
Equity attributable to owners of the Company		**11,776,158**	10,164,942	**10,623,165**	9,247,071
Non-controlling interests	4.12.4	**304,203**	-	**-**	-
Total equity		**12,080,361**	10,164,942	**10,623,165**	9,247,071
Long-term borrowings	4.22.1	**312,505**	590,100	**310,140**	590,100
Finance lease liabilities	4.22.3	**5,683**	-	**-**	-
Employee benefits	4.23	**661,415**	626,158	**609,222**	583,912
Deferred tax liabilities	4.24	**1,864,432**	247,606	**1,861,319**	247,606
Deferred income	4.25	**35,662**	47,762	**22,813**	8,758
Total non-current liabilities		**2,879,697**	1,511,626	**2,803,494**	1,430,376
Trade payables	4.27	**2,974,203**	1,681,344	**2,495,928**	1,563,181
Other current liabilities	4.28	**1,493,000**	1,302,970	**1,105,165**	1,091,120
Current portion of long-term borrowings	4.22.1	**282,350**	319,425	**281,236**	319,425
Current portion of finance lease liabilities	4.22.3	**11,333**	-	**-**	-
Current portion deferred income	4.25	**225,581**	288,133	**94,983**	99,861
Current tax liability	4.29	**31,769**	18,286	**-**	14,990
Short-term borrowings	4.22.2	**8,594,068**	7,472,692	**8,161,883**	7,406,351
Amounts due to related parties	4.30.1	**-**	-	**498,941**	195,149
Total current liabilities		**13,612,304**	11,082,850	**12,638,136**	10,690,077
Total liabilities		**16,492,001**	12,594,476	**15,441,630**	12,120,453
Total equity and liabilities		**28,572,362**	22,759,418	**26,064,795**	21,367,524
Net assets per share		**1,326.68**	1,145.16	**1,196.78**	1,041.75

Certification

These Financial Statements as set out on pages 152 to 205 have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

E.D.C. Kodituwakku

General Manager - Finance and Controlling

Member - Group Management Committee

The Board of Directors is responsible for the preparation and presentation of 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

30th May 2018

Colombo

Information and Notes in sections 1,2,3,4 and 5 appearing from page 152 to 205 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Note	Stated Capital	Other Components of Equity: Revaluation Reserve	Other Components of Equity: Available-for-Sale Reserve	Other Components of Equity: Foreign currency translation reserve	Revenue Reserves: General Reserve	Revenue Reserves: Retained Earnings	Non-controlling interests	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group									
As at 01st April 2016		425,297	2,833,277	6,079	-	4,617,290	2,107,736	-	9,989,679
Total comprehensive income									
Profit for the year		-	-	-	-	-	656,791	-	656,791
Other comprehensive income, net of tax		-	-	542	-	-	(29,372)	-	(28,830)
Total comprehensive income		-	-	542	-	-	627,419	-	627,961
Transactions with owners of the Company - contributions and distributions									
Dividends to equity owners									
2015/16 First and final dividend		-	-	-	-	-	(239,664)	-	(239,664)
2016/17 Interim dividend	4.8	-	-	-	-	-	(213,034)	-	(213,034)
Transfer during the year		-	-	-	-	400,000	(400,000)	-	-
Total contributions and distributions		-	-	-	-	400,000	(852,698)	-	(452,698)
As at 31st March 2017		425,297	2,833,277	6,621	-	5,017,290	1,882,457	-	10,164,942
As at 01st April 2017		425,297	2,833,277	6,621	-	5,017,290	1,882,457	-	10,164,942
Changes in ownership interests									
Acquisition of subsidiary with non-controlling interests	4.12.4	-	-	-	-	-	-	300,106	300,106
Total changes in ownership interests		-	-	-	-	-	-	300,106	300,106
Total comprehensive income									
Profit for the year		-	-	-	-	-	550,308	3,907	554,215
Other comprehensive income, net of tax		-	1,208,991	371	1,702	-	27,373	190	1,238,627
Total comprehensive income		-	1,208,991	371	1,702	-	577,681	4,097	1,792,842
Transactions with owners of the Company- contributions and distributions									
Dividends to equity owners									
2017/18 Interim dividend	4.8	-	-	-	-	-	(177,529)	-	(177,529)
Transfer during the year		-	-	-	-	150,000	(150,000)	-	-
Total contributions and distributions		-	-	-	-	150,000	(327,529)	-	(177,529)
As at 31st March 2018		425,297	4,042,268	6,992	1,702	5,167,290	2,132,609	304,203	12,080,361
Company									
As at 01st April 2016		425,297	2,833,277	6,064	-	4,329,464	1,540,324	-	9,134,426
Total comprehensive income									
Profit for the year		-	-	-	-	-	593,032	-	593,032
Other comprehensive income, net of tax		-	-	544	-	-	(28,233)	-	(27,689)
Total comprehensive income		-	-	544	-	-	564,799	-	565,343
Transactions with owners of the Company - contributions and distributions									
Dividends to equity owners									
2015/16 First and final dividend		-	-	-	-	-	(239,664)	-	(239,664)
2016/17 Interim dividend	4.8	-	-	-	-	-	(213,034)	-	(213,034)
Transfer during the year		-	-	-	-	300,000	(300,000)	-	-
Total contributions and distributions		-	-	-	-	300,000	(752,698)	-	(452,698)
As at 31st March 2017		425,297	2,833,277	6,608	-	4,629,464	1,352,425	-	9,247,071
As at 01st April 2017		425,297	2,833,277	6,608	-	4,629,464	1,352,425	-	9,247,071
Total comprehensive income									
Profit for the year		-	-	-	-	-	324,905	-	324,905
Other comprehensive income, net of tax		-	1,208,991	363	(85)	-	19,449	-	1,228,718
Total comprehensive income		-	1,208,991	363	(85)	-	344,354	-	1,553,623
Transactions with owners of the Company - contributions and distributions									
Dividends to equity owners									
2017/18 Interim dividend	4.8	-	-	-	-	-	(177,529)	-	(177,529)
Transfer during the year		-	-	-	-	150,000	(150,000)	-	-
Total contributions and distributions		-	-	-	-	150,000	(327,529)	-	(177,529)
As at 31st March 2018		425,297	4,042,268	6,971	(85)	4,779,464	1,369,250	-	10,623,165

The General Reserve and Retained Earnings represent reserves available for distribution.
Available-for-Sale Reserve consists of net unrealised gains arising from fair valuation of available-for-sale financial assets, excluding the impact arising from impairment of assets.
Figures in brackets indicate deductions.
Information and Notes in sections 1,2,3,4 and 5 appearing from page 152 to 105 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

		Group		Company	
For the year ended 31st March		**2018**	2017	**2018**	2017
	Note	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Cash Flows from Operating Activities					
Profit before taxation		**747,606**	1,043,392	**448,638**	906,402
Adjustments for					
Depreciation on property, plant and equipment	4.9	**355,897**	326,354	**344,879**	320,445
Amortisation of intangible assets and lease rentals paid in advance	4.5	**14,475**	17,625	**14,468**	17,614
Amortisation of deferred income - classified under non-current liabilities		**(12,100)**	15,511	**14,055**	8,542
Provision for impairment of investments in subsidiaries	4.12.2	**-**	-	**126**	61
Gains on sale of property, plant and equipment	4.3	**(18,480)**	(17,302)	**(16,791)**	(17,901)
Gain on bargain purchase through business combinations	4.3	**(38,623)**	-	**-**	-
Derecognition of capital work-in-progress	4.9	**645**	389	**645**	389
Interest expenses	4.4	**1,058,109**	856,183	**1,038,623**	848,378
Interest income	4.4	**(19,222)**	(13,536)	**(14,308)**	(12,397)
Dividend income	4.3	**(480)**	(298)	**(480)**	(88,545)
Share of loss of equity-accounted investee, net of tax	4.12.5	**2,980**	-	**2,980**	-
(Reversal of)/Provision for impairment of trade receivables	4.5	**(81,013)**	77,463	**(87,542)**	50,819
(Reversal of)/Provision for slow moving inventories	4.5	**(56,078)**	143,855	**(66,985)**	140,333
Provision for employee benefits obligation excluding actuarial loss/(gain)	4.5.1	**121,549**	97,439	**110,530**	88,755
		2,075,265	2,547,075	**1,788,838**	2,262,895
Changes in working capital					
Increase in inventories		**(336,582)**	(1,478,274)	**(274,455)**	(1,388,487)
Increase in trade and other receivables		**(1,359,533)**	(477,188)	**(1,135,036)**	(202,478)
(Increase)/decrease in other current assets		**188,862**	(206,133)	**210,979**	(227,944)
Increase in amounts due from related parties		**(9,860)**	-	**(21,523)**	(25,605)
Increase/(decrease) in trade payables		**1,184,874**	35,525	**932,747**	(2,448)
Increase/(decrease) in other current liabilities		**151,690**	192,774	**(28,017)**	205,006
Decrease in deferred Income - classified under current liabilities		**(62,552)**	(34,371)	**(4,878)**	(58,236)
Increase/(decrease) in amounts due to related parties		**-**	-	**303,792**	(187,706)
Cash generated from operating activities		**1,832,164**	579,408	**1,772,447**	374,997
Interest paid		**(1,038,766)**	(856,412)	**(1,019,446)**	(848,607)
Employee benefits paid	4.23.1	**(59,563)**	(12,581)	**(58,207)**	(12,581)
Income tax paid	4.29	**(270,777)**	(365,173)	**(223,077)**	(244,959)
Net cash from/(used in) operating activities		**463,058**	(654,758)	**471,717**	(731,150)

For the year ended 31st March	Note	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Cash Flows from Investing Activities					
Net proceeds from sale of property, plant and equipment		**30,634**	46,921	**25,611**	46,715
Dividends received		**379**	194	**379**	88,441
Interest received		**19,677**	13,536	**14,308**	12,397
Investment in subsidiary		**-**	-	**(38,199)**	-
Acquisition of subsidiary and joint ventures, net of cash acquired	4.12.3	**(714,932)**	-	**(403,666)**	-
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	**(444,089)**	(724,381)	**(403,736)**	(701,114)
Acquisition of intangible assets	4.11	**(5,445)**	(21,082)	**(5,445)**	(21,082)
Net cash used in investing activities		**(1,113,776)**	(684,812)	**(810,748)**	(574,643)
Cash Flows from Financing Activities					
Capital contribution from non-controlling interest of a newly incorporated subsidiary (Note 4.12.4)		**9,122**	-	**-**	-
Repayment of long-term borrowings	4.22.1.1	**(317,061)**	(394,900)	**(316,990)**	(394,900)
Repayment of finance lease liabilities	4.22.3	**(1,525)**	-	**-**	-
Dividends paid	4.20	**(177,529)**	(452,698)	**(177,529)**	(452,698)
Net cash used in financing activities		**(486,993)**	(847,598)	**(494,519)**	(847,598)
Net decrease in cash and cash equivalents		**(1,137,711)**	(2,187,168)	**(833,550)**	(2,153,391)
Cash and cash equivalents as at 01st April		**(7,190,893)**	(5,003,725)	**(7,136,795)**	(4,983,404)
Effect of exchange rate changes on cash & cash equivalents		**68**	-	**-**	-
Cash and cash equivalents as at 31st March (Note-A)		**(8,328,536)**	(7,190,893)	**(7,970,345)**	(7,136,795)
Note - A					
Analysis of Cash and Cash Equivalents as at 31st March					
Cash and bank balances	4.18	**265,532**	281,799	**191,538**	269,556
Short-term borrowings	4.22.2	**(8,594,068)**	(7,472,692)	**(8,161,883)**	(7,406,351)
Cash and cash equivalents		**(8,328,536)**	(7,190,893)	**(7,970,345)**	(7,136,795)

Figures in brackets indicate deductions.

Information and Notes in sections 1,2,3,4 and 5 appearing from page 152 to 205 form an integral part of these Financial Statements.

SECTION 2 - CORPORATE INFORMATION

This section gives a description of the reporting entity, its subsidiaries and joint venture

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 PRINCIPAL BUSINESS ACTIVITIES AND NATURE OF OPERATIONS

The principal place of business and business activities of the Company, subsidiaries and the joint venture are as follows:

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, power tools, lamps, batteries, import and sale of vehicle spares, components, accessories, providing lighting solutions and storage systems, import, repack and distribution of fertiliser.
Subsidiaries		
DIMO (Private) Limited	Sri Lanka	Sale and after sales services of bio-medical equipment, power engineering equipment and solutions, building technologies, generator sets, industrial refrigeration systems, diesel engines for marine propulsion and rail traction and fluid management systems.
DIMO Travels (Private) Limited	Sri Lanka	Provision of transportation facilities.
DIMO Industries (Private) Limited	Sri Lanka	Import and sale of tyres.
PlantChem(Private) Limited	Sri Lanka	Import re-packing and sales of pesticides, ,fungicides, insecticides, herbicides, plant growth regulators, compound fertilisers and liquid fertilisers.
Plant Seeds (Private) Limited	Sri Lanka	Import and sale of hybrid seeds and produce, process and distribution of seed paddy, hybrid seeds and vegetable seeds
DIMO Lanka Company Limited	Republic of the Union of Myanmar	Automobile repair and servicing
United DIMO Lanka Company Limited	Republic of the Union of Myanmar	Automobile repair and servicing
Joint venture		
DIMO Coastline (Private) Limited	Republic of Maldives	Marine and general engineering including repair and service of marine craft, marine engines, generators, turbines, pumps and boilers.

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 19.

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). Where applicable, specific accounting policies and basis for judgements and estimates relating to notes in section 4 are given in the same 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, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

3.2 BASIS OF PREPARATION

Basis of Measurement

The Financial Statements of the Group/Company have been prepared on historical cost basis, except for following;

Item	Basis of measurement	Note
Freehold land	Initially measured at cost and subsequently at revalued amounts which are the fair values at the date of revaluation.	4.9
Financial assets-available-for-sale	Fair value	4.14
Defined benefit obligation	Actuarially valued and recognised at present value	4.23

The Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

3.3 GOING CONCERN

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

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	Republic of the Union of Myanmar	Burmese kyat
United DIMO Lanka Company Limited	Republic of the Union of Myanmar	Burmese kyat
DIMO Coastline (Private) Limited	Republic of Maldives	United States Dollar

3.5 MATERIALITY, AGGREGATION, OFFSETTING AND ROUNDING

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 a Sri Lanka Accounting Standard.

Rounding

The amounts in the Financial Statements are rounded off to the nearest Rupees thousands, except where otherwise indicated.

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.

Deferred income which was previously reported under non-current liabilities have been reviewed during the year and deferred income which will be crystallised within next financial year is identified as current liabilities. Accordingly, comparative figures have been reclassified for better presentation and to be in-line with the current presentation.

As at 31st March	Group 2017 Rs. '000	Group Re-classification adjustment Rs. '000	Group Re classified 2017 Rs. '000	Company 2017 Rs. '000	Company Re-classification adjustment Rs. '000	Company Re classified 2017 Rs. '000
Deferred income						
Classified as current liabilities	-	288,133	288,133	-	99,861	99,861
Classified as non-current liabilities	335,895	(288,133)	47,762	108,619	(99,861)	8,758
Total	335,895	-	335,895	108,619	-	108,619

3.7 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Group require the Management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities and income. 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.

Significant judgements, estimates and assumptions made by management in preparing these Consolidated Financial Statements are described in the following notes.

Accounting Policies	Note
Impairment of non financial assets	3.9.3
Current tax & Deferred tax asset	4.6 & 4.24
Useful life time of property, plant and equipment	4.9
Provision for impairment of trade receivables	4.16
Employee benefits	4.23
Provisions and contingent liabilities	4.26 & 5.2
Acquisition of subsidiary	4.12.3

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.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

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, but are not covered with 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
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 list of the Group's subsidiaries is set out in Note 4.12.1 to the Financial Statements.

The Financial Statements of the parent company and subsidiaries are prepared to a common financial year ending 31st March, using uniform accounting policies.

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

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.

Loss of Control
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 the Statement of Profit or Loss. Any investment retained is recognised at fair value.

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 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.

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.

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 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 the translation of the following items are recognised in Other Comprehensive income (OCI):

(i) available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);

(ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and;

(iii) qualifying cash flow hedges to the extent that the hedges are effective.

Share capital denominated in a currency other than the functional currency is initially stated at spot rate of the date of issue but is not retranslated.

Foreign operations

The results and financial position of entities whose functional currency is not the currency of Sri Lankan Rupee has been translated into Sri Lankan Rupees using the following procedures:

(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.

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.

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.

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. 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 does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 are comprised of those items as explained in Note 4.18 and 4.22.2.

3.10 New Accounting Standards Issued but not yet Effective

The following SLFRSs issued by the Institute of Chartered Accountants of Sri Lanka, not effective for a financial year commencing on 1st April 2017 unless early adopted, have not been applied in preparing these Consolidated Financial Statements.

New or amended Standards	Summary of the requirements	Possible impact on Financial Statements
SLFRS 9 - 'Financial Instruments'	SLFRS 9, issued in 2014, replaces LKAS 39 - Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 01st January 2018.	During the year, the Group performed a gap assessment of the impact of SLFRS 9. The company is in the process of quantifying the potential impact on its financial statements resulting from application of this standards.
SLFRS 15 - 'Revenue from Contracts with Customers'	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. SLFRS 15 introduces a five-step model to determine when to recognise revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised. It replaces existing revenue recognition guidance, LKAS 18 on 'Revenue', LKAS 11 on 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2018.	During the year, the Group performed a gap assessment of the impact of SLFRS 15. The company is in the process of quantifying the potential impact on its financial statements resulting from application of this standards.
SLFRS 16 - 'Leases'	SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off – balance sheet operating leases. Instead there will be a single "on-balance sheet" accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual reporting periods beginning on or after 01st January 2019.	The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 16.

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

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and value added taxes. The Group/Company separately identifies different components of a single transaction in order to reflect the substance of the transaction. The following specific criteria are used for the purpose of recognition of revenue.

Sale of goods

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

Rendering of services

Revenue from services rendered is recognised in Profit or Loss once all significant performance obligations have been provided.

Constructions related contracts

Revenue from construction related contracts is recognised in Profit or Loss in proportion to the stage of completion of the transaction at the reporting date.

The stage of completion 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.

Service support income

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

Revenue by category

For the year ended 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Revenue Source				
Sale of goods	**39,084,564**	40,921,797	**37,745,259**	39,339,500
Rendering of services	**1,853,955**	1,643,418	**1,786,058**	1,432,425
Constructions related contracts	**2,546,594**	1,706,461	**1,111,203**	726,957
Service support income	**201,045**	221,314	**68,322**	64,677
Total revenue	**43,686,158**	44,492,990	**40,710,842**	41,563,559

Revenue by category - Group **Revenue by category - Company**

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:

Operating segments	Operations
Vehicles -Sales	Sale of brand new passenger vehicles, commercial vehicles, special purpose vehicles and pre-owned passenger vehicles.
Vehicles -After Services	Repair and service of vehicles included in the vehicle-sales segment, sale of franchised vehicle spare parts, accessories and components.
Marketing and Distribution	Sale and service of power tools and accessories, lamps, lighting controls, switchgear, fittings and accessories, tyres, original equipment spare parts and auto components.
Construction and Material Handling Equipment	Sales and services of earth moving machinery, road construction machinery, material handling machinery, forklifts, storage systems, dock levellers, car parking systems and gondolas.
Agriculture	Import, sale and after sales services of agri machinery, import, processing and distribution of agro chemicals, seeds and fertiliser, import, producing, processing and sale of agricultural seeds.
Electro-Mechanical, Bio-Medical and Marine Engineering	Sale, installation, commissioning and maintenance of medical equipment, generating sets, diesel engines for marine propulsion and rail traction, building management systems, fluid management systems, industrial refrigeration systems and power engineering equipment and systems.

Inter-segment transfers are carried out 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 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.

Restatement

With the expansion of business in the domain of Agriculture, a new operating segment evolved, which is titled “Agriculture”. The products and services that comprise this segment are similar in nature, risks and returns. Therefore, segment information has been classified accordingly and restated where applicable.

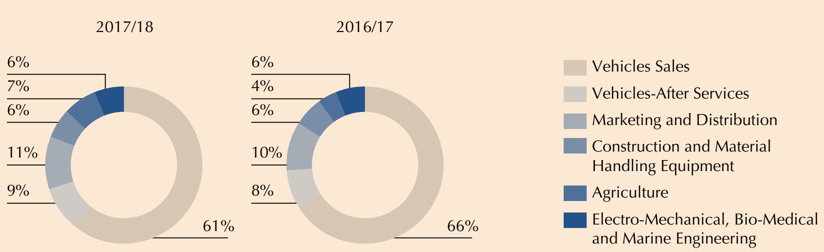
Segmental Results, Assets and Liabilities

Group

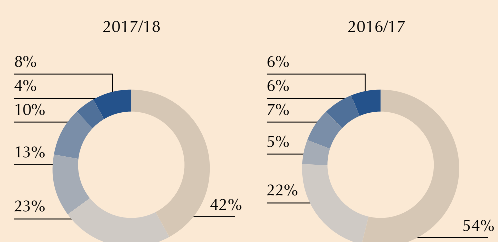
For the year ended 31st March	*Vehicles - Sales		*Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Agriculture		Electro-Mechanical, Bio-Medical and Marine Engineering		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000 (Restated)	**Rs.'000**	Rs.'000 (Restated)	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000 (Restated)	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Business Segment Turnover and Results														
Total segment revenue	**26,566,205**	29,687,824	**4,616,937**	4,331,484	**4,833,244**	4,440,746	**2,756,199**	2,666,122	**3,385,619**	1,979,117	**2,667,793**	2,750,667	**44,825,997**	45,855,960
Inter-segment revenue	**(68,897)**	(117,760)	**(734,351)**	(829,156)	**(116,816)**	(126,259)	**(85,071)**	(85,285)	**(69,464)**	(174,346)	**(65,240)**	(30,164)	**(1,139,839)**	(1,362,970)
Total external revenue	**26,497,308**	29,570,064	**3,882,586**	3,502,328	**4,716,428**	4,314,487	**2,671,128**	2,580,837	**3,316,155**	1,804,771	**2,602,553**	2,720,503	**43,686,158**	44,492,990
Segment results	**1,365,395**	1,748,176	**723,731**	723,153	**406,858**	166,970	**334,571**	205,934	**121,214**	200,701	**260,981**	200,196	**3,212,750**	3,245,130
Unallocated other income	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**187,847**	173,403
Unallocated expenses	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1,766,250)**	(1,726,168)
Finance costs- net	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(886,741)**	(648,973)
Income tax expense	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(193,391)**	(386,601)
Profit for the year	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**554,215**	656,791
Business Segment Assets and Liabilities														
Segment assets	**6,810,143**	6,267,894	**2,292,408**	1,718,505	**3,389,264**	2,317,840	**1,578,368**	1,419,580	**3,452,004**	1,176,319	**2,628,319**	1,913,840	**20,150,506**	14,813,978
Unallocated assets		-		-		-		-		-		-	**8,421,856**	7,945,440
Total assets													**28,572,362**	22,759,418
Segment liabilities	**5,377,659**	4,949,089	**1,093,901**	449,006	**1,098,142**	825,682	**556,033**	292,627	**1,259,795**	229,116	**517,512**	252,813	**9,903,042**	6,998,333
Unallocated liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**6,588,959**	5,596,143
Equity	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**12,080,361**	10,164,942
Total equity and liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**28,572,362**	22,759,418
Other Information														
Capital expenditure	**40,733**	80,666	**91,867**	92,695	**13,158**	18,189	**8,712**	6,295	**58,825**	2,214	**23,434**	15,535	**236,729**	215,594
Unallocated capital expenditure	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**212,805**	529,869
Depreciation and amortisation	**39,250**	27,370	**106,326**	111,775	**11,472**	10,309	**5,882**	5,547	**4,262**	2,607	**14,112**	9,555	**181,304**	167,163
Unallocated depreciation and amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**189,068**	176,816

*Restated to reflect the changes due to introduction of the new "Agriculture" operating segment.

Segment Revenue - Group



Segment Results - Group



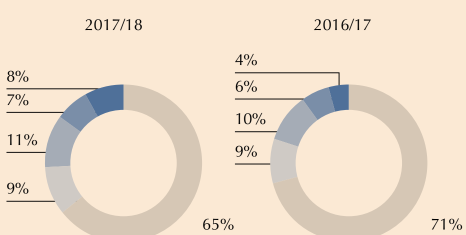
Segmental Results, Assets and Liabilities

Company

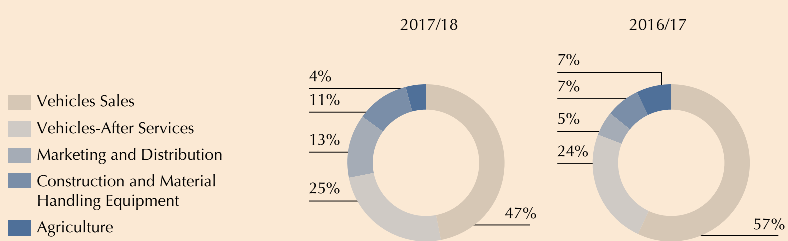
For the year ended 31st March	*Vehicles - Sales 2018 Rs.'000	*Vehicles - Sales 2017 Rs.'000 (Restated)	*Vehicles - After Services 2018 Rs.'000	*Vehicles - After Services 2017 Rs.'000 (Restated)	Marketing and Distribution 2018 Rs.'000	Marketing and Distribution 2017 Rs.'000	Construction and Material Handling Equipment 2018 Rs.'000	Construction and Material Handling Equipment 2017 Rs.'000	Agriculture 2018 Rs.'000	Agriculture 2017 Rs.'000 (Restated)	Total 2018 Rs.'000	Total 2017 Rs.'000
Business Segment Turnover and Results												
Total segment revenue	**26,566,205**	29,687,824	**4,608,592**	4,331,484	**4,588,970**	4,217,361	**2,756,199**	2,666,122	**3,234,947**	1,979,117	**41,754,913**	42,881,908
Inter-segment revenue	**(68,897)**	(117,760)	**(730,292)**	(826,118)	**(100,422)**	(114,840)	**(74,995)**	(85,285)	**(69,465)**	(174,346)	**(1,044,071)**	(1,318,349)
Total external revenue	**26,497,308**	29,570,064	**3,878,300**	3,505,366	**4,488,548**	4,102,521	**2,681,204**	2,580,837	**3,165,482**	1,804,771	**40,710,842**	41,563,559
Segment results	**1,365,395**	1,748,176	**735,421**	723,153	**374,232**	167,067	**334,571**	205,934	**111,446**	200,701	**2,921,065**	3,045,031
Unallocated other income	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**151,033**	269,638
Unallocated expenses	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1,739,101)**	(1,758,278)
Finance costs - net	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(884,359)**	(649,989)
Income tax expense	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(123,733)**	(313,370)
Profit for the year	**-**	-	**-**	- -	**-**	-	**-**	-	**-**	-	**324,905**	593,032
Business Segment Assets and Liabilities												
Segment assets	**6,810,143**	6,267,894	**2,253,604**	1,718,505	**3,381,181**	2,317,840	**1,578,368**	1,419,580	**2,385,586**	1,176,319	**16,408,882**	12,900,138
Unallocated assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**9,655,913**	8,467,386
Total assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**26,064,795**	21,367,524
Segment liabilities	**5,377,659**	4,949,089	**1,093,564**	449,006	**1,089,478**	825,682	**556,033**	292,627	**959,294**	229,116	**9,076,028**	6,745,520
Unallocated liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**6,365,602**	5,374,933
Equity	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**10,623,165**	9,247,071
Total equity and liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**26,064,795**	21,367,524
Other Information												
Capital expenditure	**40,733**	80,666	**74,112**	92,695	**13,158**	18,189	**8,712**	6,295	**58,825**	2,214	**195,540**	200,059
Unallocated capital expenditure	**-**	-	**-**	-	**-**	-	**-**	-		-	**213,641**	522,137
Depreciation and amortisation	**39,250**	27,370	**105,631**	111,776	**11,472**	10,309	**5,882**	5,547	**4,261**	2,606	**166,496**	157,608
Unallocated depreciation and amortisation	**-**	-	**-**	-	**-**	-	**-**	-		-	**192,851**	180,451

*Restated to reflect the changes due to introduction of the new "Agriculture" operating segment.

Segment Revenue - Company



Segment Results - Company



4.3 OTHER OPERATING INCOME/(EXPENSES)

Accounting Policy

Income earned and expenses incurred which are not directly related to the normal operations of the Group are recognised as other operating income/(expenses).

Other operating Income and expenses comprises disposal gains/losses on sale of property, plant and equipment, gain on bargain purchase through business combination, dividend income and sundry income. Other operating income and expenses are recognised on an accrual basis.

The following specific criteria are used for the purpose of recognising income.

Gains or losses on sale of property, plant and equipment

The gains or losses on the sale of property, plant and equipment is determined as the difference between the carrying amount of the property, plant and equipment at the time of disposal and the proceeds from disposal, net of expenses incurred on disposal. This is recognised in the year in which significant risks and rewards of ownership are transferred to the buyer.

Dividend income

Dividend income is recognised when the Group's/Company's right to receive payment is established.

Other Operating Income

For the year ended 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Gain on bargain purchase through Business Combination (Note 4.12.3)	**38,623**	-	**-**	-
Dividend income	**480**	298	**480**	88,545
Gains on sale of property, plant and equipment	**18,480**	17,302	**16,791**	17,901
Sundry income	**130,264**	155,803	**133,762**	163,192
	187,847	173,403	**151,033**	269,638

4.4 FINANCE INCOME AND COSTS

Accounting Policies

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

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables). Interest expense is recognised using the effective interest method.

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.

Net Finance Costs

For the year ended 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Interest income	**19,222**	13,536	**14,308**	12,397
Net foreign exchange gain	**152,146**	193,674	**139,956**	185,992
Finance income	**171,368**	207,210	**154,264**	198,389
Interest on long-term borrowings	**(65,765)**	(96,546)	**(65,765)**	(96,546)
Interest on short-term borrowings	**(992,178)**	(759,637)	**(972,858)**	(751,832)
Finance charges payable under finance leases	**(166)**	-	**-**	-
Finance costs	**(1,058,109)**	(856,183)	**(1,038,623)**	(848,378)
Net finance costs recognised in profit or loss	**(886,741)**	(648,973)	**(884,359)**	(649,989)

4.5 PROFIT BEFORE TAX

Profit before tax is stated after charging/(reversing) the following:

For the year ended 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Directors' emoluments				
- Short-term employment benefits	**424,631**	398,816	**412,871**	386,694
- Post-employment benefits	**46,179**	71,635	**44,720**	69,775
- Terminal benefits	**24,638**	-	**24,638**	-
Auditors' remuneration				
- Audit and audit-related services	**5,393**	5,181	**4,254**	4,302
- Non-audit services	**2,235**	679	**1,756**	405
Depreciation on property, plant and equipment	**355,897**	326,354	**344,879**	320,445
Amortisation of intangible assets and lease rentals paid in advance	**14,475**	17,625	**14,468**	17,614
(Reversal of)/ Provision for impairment of trade receivables	**(81,013)**	77,463	**(87,542)**	50,819
(Reversal of)/ Provision for slow moving inventories	**(56,078)**	143,855	**(66,985)**	140,333
Donations	**7,559**	6,013	**7,332**	5,834
Legal fees	**17,640**	22,649	**16,903**	20,817
Staff expenses (Note 4.5.1)	**2,426,255**	2,378,629	**2,066,964**	2,034,805

4.5.1 Staff Expenses

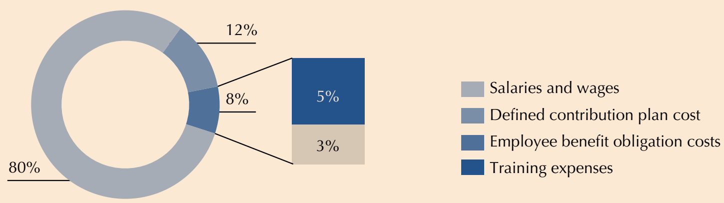
Accounting Policy

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.

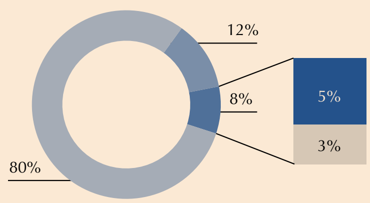
For the year ended 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Defined contribution plan cost	**290,282**	265,400	**252,425**	231,405
Employee benefit obligation costs (Note 4.23.1)	**121,549**	97,439	**110,530**	88,755
Training expenses	**69,893**	95,237	**59,710**	77,577
Salaries and wages	**1,944,531**	1,920,553	**1,644,299**	1,637,068
	2,426,255	2,378,629	**2,066,964**	2,034,805
Average number of employees for the year	**1,788**	1,649	**1,547**	1,482

The average number of employees is calculated by averaging the number of employees as at the year end in the current and previous year. Average employees for the year ended 31st March 2018 includes 100 employees from PlantChem (Private) Limited and Plant Seeds (Private) Limited, companies which were acquired on 23rd February 2018, and 19 employees from United Dimo Lanka Company Limited in which DIMO Lanka Company Limited invested on 27th November 2018. Staff expenses of these employees have been recognised from the acquisition date.

Staff Expenses - Group



Staff Expenses - Company



4.6 INCOME TAX

Accounting Policy

Income tax expense for the year comprises current and deferred tax. It is recognised in Profit or Loss except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI) .

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous 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, as at the reporting date in the countries where the Group operates and generates taxable income.

Accounting Estimate

The Group/Company 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

Net 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.

Income tax rates of off-shore subsidiaries

Name of the Entity	Country of Domicile	Rate
DIMO Lanka Company Limited	Republic of the Union of Myanmar	25%
United DIMO Lanka Company Limited	Republic of the Union of Myanmar	25%

Income Tax Expense

	Group		Company	
For the year ended 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Current Tax Expense				
Current tax on profit for the year (Note 4.6.1)	**165,462**	231,544	**88,472**	166,371
Under provision in respect of previous years	**1,299**	70,707	**1,105**	70,574
10% withholding tax on inter-company dividend	**-**	9,805	**-**	-
	166,761	312,056	**89,577**	236,945
Deferred Tax Expense				
Origination of temporary differences (Note 4.6.2)	**26,630**	74,545	**34,156**	76,425
Total income tax expense	**193,391**	386,601	**123,733**	313,370
Effective tax rate (%)-including deferred tax	**26%**	37%	**28%**	35%
Effective tax rate (%)-excluding deferred tax	**22%**	30%	**20%**	26%

4.6.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Profit before taxation	**747,606**	1,043,392	**448,638**	906,402
Disallowable expenses	**944,170**	786,771	**857,865**	733,517
Allowable expenses	**(1,046,339)**	(815,493)	**(985,040)**	(785,210)
Income not liable for tax	**(7,520)**	(102,589)	**(5,453)**	(89,815)
Qualifying payments	**-**	(170,650)	**-**	(170,650)
Taxable income	**637,917**	741,431	**316,010**	594,244
Income tax				
Tax at 28%	**164,230**	231,531	**88,465**	166,358
Tax at 25%	**-**	-	**-**	-
Tax at 12%	**1,232**	13	**7**	13
Current tax on profit for the year	**165,462**	231,544	**88,472**	166,371

Current tax has been computed in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and amendments thereto.

The tax liability of resident companies are computed at the standard rate of 28% except for Plant Seeds (Private) Limited taxed at 12%.
The tax on export profits is 12%.

4.6.2 Recognition of Deferred Tax Expenses in the Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Statement of Profit or Loss (Note 4.24.2)	**26,630**	74,545	**34,156**	76,425
Other Comprehensive Income (Note 4.24.2)	**1,582,580**	(11,423)	**1,579,557**	(10,980)
	1,609,210	63,122	**1,613,713**	65,445

As per the Inland Revenue Act No 24 of 2017, applicable from 1st April 2018, any gains on realisation from disposal of lands used in the business are liable for taxation under the business income of the entity. Accordingly, the realisation gains shall be the amount by which the sum of the consideration received on the asset that exceeds the acquiring cost and any accumulated allowable costs incurred on improvement thereon at the time of the realisation.

The Company has recognised a revaluation reserve on freehold land amounting to Rs. 5.6 billion - as at 31st March 2018, which gives rise to a potential gain that will be eventually liable for the income tax on realisation. Accordingly, the Company has recognised a deferred tax liability of Rs. 1.6 billion pertaining to revaluation reserve on freehold land which has been computed at the corporate tax rate of 28%.

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.

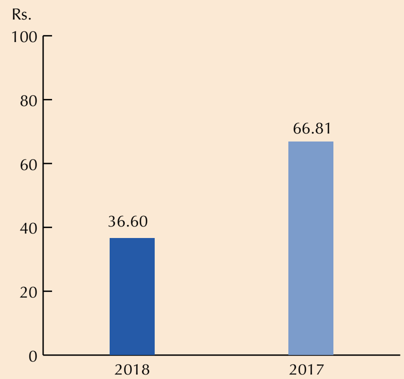
The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year.

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

For the year ended 31st March	Group 2018	Group 2017	Company 2018	Company 2017
Profit attributable to ordinary shareholders (Rs.'000)	**550,308**	656,791	**324,905**	593,032
Weighted average number of ordinary shares	**8,876,437**	8,876,437	**8,876,437**	8,876,437
Earnings per ordinary share-basic and diluted (Rs.)	**62.00**	73.99	**36.60**	66.81

EPS - Group

EPS - Company



4.8 DIVIDENDS

For the year ended 31st March	Company 2018 Rs.'000	Company 2017 Rs.'000
Interim dividend paid	**177,529**	213,034
	177,529	213,034
Dividend per share (Rs.)	**20.00**	24.00

An Interim dividend of Rs. 20.00 per share was paid on 29th March 2018 to the shareholders of the Company for the Financial Year 2017/18. (Rs.24.00 per share interim dividend was paid in 2016/17). A withholding tax of 10% was applicable on interim dividend paid.

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 interim dividend. A statement of solvency completed and duly signed by the Directors on 14th March 2018 has been audited by Messrs KPMG, Chartered Accountants.

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/ Company and cost of the asset can be measured reliably.

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 estimated recoverable amount, the carrying value is written down to its recoverable amount (Please refer Note 3.8 - Impairment of non-financial assets).

Revaluation model

The Group/Company 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.

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 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 and the date that the asset is derecognised.

The estimated useful lives of assets are as follows:

Class of Asset	Year
Buildings	36 - 40
Buildings on leasehold land	Over the lease period
Plant and machinery	04-13
Tools and implements	03-04
Motor vehicles	03-04
Furniture and fittings	04-13
Office equipment and electrical fittings	04-10
Computer hardware and software	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 Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total 2018	Total 2017
	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	4,460,029	2,629,615	267,884	754,452	295,957	639,662	243,956	618,210	**9,909,765**	9,306,536
Acquired through business combination (Note 4.12.3)	32,635	42,840	47,300	17,141	-	114,750	-	-	**254,666**	-
Revaluation	2,780,984	-	-	-	-	-	-	-	**2,780,984**	-
Additions	750	3,906	8,118	37,015	27,145	72,557	22,814	31,711	**204,016**	349,408
Transferred from capital work-in-progress	3,195	119,055	8,894	57,632	1,975	-	-	11,678	**202,429**	379,694
Disposals	-	(525)	-	(7,290)	(1,592)	(35,180)	(11,300)	(14,536)	**(70,423)**	(125,873)
Transfers	-	1,964	-	7,356	3,303	-	2	(12,625)	**-**	-
At the end of the year	7,277,593	2,796,855	332,196	866,306	326,788	791,789	255,472	634,438	**13,281,437**	9,909,765
Depreciation										
At the beginning of the year	-	300,115	119,924	288,374	230,410	378,015	192,279	244,810	**1,753,927**	1,525,014
Charge for the year	-	71,056	20,181	55,455	34,529	100,262	22,877	51,537	**355,897**	326,354
On disposals	-	(246)	-	(3,304)	(1,556)	(35,179)	(10,285)	(8,669)	**(59,239)**	(97,441)
Transfers	-	661	-	4,252	(2,984)	-	-	(1,929)	**-**	-
Effect of movements in exchange rates	-	-	6	2	1	0	1	1	**11**	-
At the end of the year	-	371,586	140,111	344,779	260,400	443,098	204,872	285,750	**2,050,596**	1,753,927
Carrying amount before capital work-in-progress	7,277,593	2,425,269	192,085	521,527	66,388	348,691	50,600	348,688	**11,230,841**	8,155,838
Capital work-in-progress at cost										
At the beginning of the year	75	129,247	5,529	5,804	2,189	-	135	218	**143,197**	148,306
Acquired through business combination (Note 4.12.3)	-	42,033	-	-	-	-	-	-	**42,033**	-
Additions	6,748	110,850	52,167	60,518	1,975	-	405	7,410	**240,073**	374,973
Transferred to PPE	(3,195)	(119,055)	(8,894)	(57,632)	(1,975)	-	-	(11,678)	**(202,429)**	(379,693)
Transferred to Intangible Assets	-	-	-	-	-	-	(540)	-	**(540)**	-
Derecognition	-	(338)	(160)	-	-	-	-	(147)	**(645)**	(389)
Transfers	-	(1,137)	-	682	(2,189)	-	-	2,644	**-**	-
At the end of the year	3,628	161,600	48,642	9,372	-	-	-	(1,553)	**221,689**	143,197
Carrying amount as at 31st March 2018	7,281,221	2,586,869	240,727	530,899	66,388	348,691	50,600	347,135	**11,452,530**	
Carrying amount as at 31st March 2017	4,460,104	2,458,747	153,489	471,882	67,736	261,647	51,812	373,618		8,299,035

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2017/18 (2016/17 – Nil).

Carrying Value of Property, Plant and Equipment

Company	Freehold Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total 2018	Total 2017
	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	4,460,029	2,661,780	267,884	719,948	268,160	626,152	218,694	618,260	**9,840,907**	9,257,055
Revaluation	2,780,984	-	-	-	-	-	-	-	**2,780,984**	-
Additions	750	3,906	-	31,012	16,317	64,057	18,467	28,252	**162,761**	326,141
Transferred from capital work-in-progress	3,195	119,055	8,894	57,632	1,975	-	-	11,678	**202,429**	379,693
Disposals	-	(259)	-	(4,500)	(1,592)	(34,135)	(10,826)	(14,374)	**(65,686)**	(121,982)
Transfers	-	1,964	-	7,356	3,303	-	2	(12,625)	**-**	-
At the end of the year	7,244,958	2,786,446	276,778	811,448	288,163	656,074	226,337	631,191	**12,921,395**	9,840,907
Depreciation										
At the beginning of the year	-	302,166	119,924	269,826	208,622	372,435	174,919	237,725	**1,685,617**	1,459,528
Charge for the year	-	71,938	19,856	53,016	30,739	97,894	19,490	51,946	**344,879**	320,445
On disposals	-	(145)	-	(3,215)	(1,556)	(34,134)	(9,830)	(8,527)	**(57,407)**	(94,356)
Transfers	-	661	-	4,252	(2,984)	-	-	(1,929)	**-**	-
At the end of the year	-	374,620	139,780	323,879	234,821	436,195	184,579	279,215	**1,973,089**	1,685,617
Carrying amount before capital work-in-progress	7,244,958	2,411,826	136,998	487,569	53,342	219,879	41,758	351,976	**10,948,306**	8,155,290
Capital work-in-progress at cost										
At the beginning of the year	75	129,247	5,529	5,804	2,189	-	135	218	**143,197**	148,306
Additions	6,748	110,199	52,167	60,518	1,975	-	405	8,963	**240,975**	374,973
Transferred to PPE	(3,195)	(119,055)	(8,894)	(57,632)	(1,975)	-	-	(11,678)	**(202,429)**	(379,693)
Transferred to Intangible Assets	-	-	-	-	-	-	(540)	-	**(540)**	-
Derecognition	-	(338)	(160)	-	-	-	-	(147)	**(645)**	(389)
Transfers	-	(1,137)	-	682	(2,189)	-	-	2,644	**-**	-
At the end of the year	3,628	118,916	48,642	9,372	-	-	-	-	**180,558**	143,197
Carrying amount as at 31st March 2018	7,248,586	2,530,742	185,640	496,941	53,342	219,879	41,758	351,976	**11,128,864**	
Carrying amount as at 31st March 2017	4,460,104	2,488,861	153,489	455,926	61,727	253,717	43,910	380,753		8,298,487

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2017/18 (2016/17 – Nil).

4.9.1 Revaluation of Freehold Land

Freehold land was revalued as at 16th October 2017 by Mr. K. Arthur Perera (Sri Lanka) 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	Freehold Land Significant Unobservable Inputs Rs.	Extent	Original Cost Rs.'000	Revalued Amount Rs.'000	Revalued Amount as No. of Times of Cost	Freehold Building Square Feet	Pledged	Mortgaged to Financial Institution
1.	No. 65, Jetawana Road, Colombo 14	8,000,000 p.p	2A-0R-33.29P	414	2,575,810	6,222	88,302	-	-
	No. 56, K. Cyril C. Perera Mawatha, Colombo 14	7,000,000 p.p							
	Sanctioned Street Line of above land	3.500,000 p.p							
2.	No. 61, Jetawana Road, Colombo 14	8,500,000 p.p	0A-1R-04.00P	18,014	374,000	21	11,418	-	-
3.	No. 74, Jetawana Road, Colombo 14	8,000,000 p.p	0A-1R-14.56P	113,808	436,480	4	4,043	-	-
4.	No. 800, Sirimawo Bandaranaike Mawatha, Colombo 14	2,500,000 p.p	3A-3R-20.60P	641,519	1,551,500	2	229,025	-	-
5.	No. 135, Mahena Road, Siyambalape and No. 274/A, Kakunagaha Watta, Siyambalape	300,000 p.p	*8A-3R-19.90P	37,606	422,550	39	117,657	-	-
6.	Kirindiwela Road, Weliweriya	146,250 p.p	15A-3R-30.00P	89,958	372,938	4	219,880		-
7.	No. 360, Madampitiya Road, Mahawatta, Colombo 14	2,500,000 p.p	1A-2R-26.80P	301,599	667,000	2	-	-	-
8.	No. 09, Ariyala, Kandy Road, Jaffna	150,000 p.p	1A-2R-26.72P	32,487	39,375	1	38,675	-	-
9.	Yaggapitiya Watta, Dambulla Road, Kurunegala	300,000 p.p	5A-0R-0P	54,599	240,000	4	-	-	-
10.	No. 23, Kaldemulla Road, Ratmalana	765,000 p.p	0A-3R-27.04P	92,102	112,485	1	17,323	-	-
11.	No. 63 & 63 A Jetawana Road, Colombo 14	7,500,000 p.p	0A-1R-08.75P	176,539	365,625	2	8,192	-	-
12.	Hunuketalanda, Nayakubura, Walgamwewa	18,000 p.p	29A-0R-27.85P	68,107	84,000	1	-	-	-
	Acquired through business combination								
13.	Nikaweratiya Road, Kahatakulama	12,500 p.p	13A-3R-28.80P	7,575	27,860	4	14,376	-	-
14.	Puttalam Road, Nabadewa, Nikaweratiya	125,000 p.p	0A-0R-25P	3,727	3,125	1	-	-	-
		Commercial portion (10p) at Rs. 90,000 p.p and balance (30p) at Rs.25,000 p.p	0A-1R-00P		1,650				
	Total			1,638,054	7,274,398		748,891		
	Improvements to land during the year after the revaluation				3,195		-		
	Improvements to land in capital work-in-progress				3,628		-		
	Total carrying value				7,281,221		748,891		

p.p-per perch

**Land original extent is 8A-3A-19.90, but valuation has been given only for 8A-3R-08.50P*

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:

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.	Price per perch for land	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. 904.5 million (2016/17 - Rs. 768.3 million) and Rs. 850.07 million (2016/17 - Rs. 717.9 million) respectively.

4.9.3 Property, Plant and Equipment Pledged as Security against Long-Term Bank Loan

Long-Term Bank Loan for which Land and building pledged as security was settled as at 31st March 2018. Thus, there is no Property, Plant and Equipment pledged as security against Long-Term Bank Loans as at 31st March 2018 (2016/17 - Land and buildings with a carrying value of Rs. 248 million have been pledged as security against term loans 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/Company as at the reporting date.

4.9.6 Assets held under finance lease

During the year ended 31st March 2018, the Group has acquired property, plant and equipment under finance leases through business combination with a fair value of Rs.86.6 million as at the acquisition date.

4.10 LEASE RENTALS PAID IN ADVANCE

Accounting Policy

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

Carrying Value of Lease Rentals Paid in Advance

	Group		Company	
As at 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Cost				
At the beginning of the year	**39,938**	39,938	**39,938**	39,938
Additions during the year	**-**	-	**-**	-
At the end of the year	**39,938**	39,938	**39,938**	39,938
Accumulated Amortisation				
At the beginning of the year	**15,412**	13,207	**15,412**	13,207
Amortisation for the year	**2,205**	2,205	**2,205**	2,205
At the end of the year	**17,617**	15,412	**17,617**	15,412
Carrying amount at the end of the year	**22,321**	24,526	**22,321**	24,526
Current portion of lease rentals paid (Note 4.17)	**2,205**	2,205	**2,205**	2,205
Non-current portion of lease rentals paid	**20,116**	22,321	**20,116**	22,321
Carrying amount at the end of the year	**22,321**	24,526	**22,321**	24,526

4.10.1 Details of Lease Rentals Paid in Advance

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

The Company had acquired these properties to operate Anuradhapura branch premises.

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.

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 their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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 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 is generally recognised in Profit or Loss. Goodwill is not amortised. These assets are assessed for impairment 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	4

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.

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.

Goodwill

Goodwill acquired through business combinations is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

Carrying Value of Intangible Assets

Group	Software	Goodwill	**Total**	
As at 31st March			**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Cost				
At the beginning of the year	84,813	-	**84,813**	65,089
Acquired through business combinations (Note 4.12.3)	-	102,993	**102,993**	-
Additions during the year	4,905	-	**4,905**	21,082
Transferred from Capital Work In progress - PPE	540	-	**540**	-
Disposals during the year	-	-	**-**	(1,358)
At the end of the year	90,258	102,993	**193,251**	84,813
Accumulated Amortisation				
At the beginning of the year	60,762	-	**60,762**	45,512
Amortisation for the year	12,270	-	**12,270**	15,420
Disposals during the year	-	-	**-**	(170)
At the end of the year	73,032	-	**73,032**	60,762
Carrying amount at the end of the year	17,226	102,993	**120,219**	24,051

Carrying Value of Intangible Assets

Company	Software	**Total**	
As at 31st March		**2018**	2017
	Rs.'000	**Rs.'000**	Rs.'000
Cost			
At the beginning of the year	81,816	**81,816**	62,092
Additions during the year	4,905	**4,905**	21,082
Transferred from Capital Work In progress - PPE	540	**540**	-
Disposals during the year	-	**-**	(1,358)
At the end of the year	87,261	**87,261**	81,816
Accumulated Amortisation			
At the beginning of the year	57,772	**57,772**	42,533
Amortisation for the year	12,263	**12,263**	15,409
Disposals during the year	-	**-**	(170)
At the end of the year	70,035	**70,035**	57,772
Carrying amount as at end of the year	17,226	**17,226**	24,044

Goodwill arisen through business combination
The Group recognised an intangible asset by way of goodwill in respect of the registered and established product portfolio acquired from acquisition of the 51% stake in Plant Seeds (Private) Limited. The management is of the opinion that the brand name of Plant Seeds together with its duly registered product portfolio will bring synergies to the current product offering of the Company in the Agriculture Sector and bring future economic benefits.

Impairment of goodwill
Goodwill arising on acquisition of Plant Seeds (Private) Limited amounting to Rs 103 million was based on the fair values of the identifiable assets and liabilities on the date of acquisition (on 23rd February 2018). Based on the impairment assessment carried out by the management at the reporting date, it was concluded 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.

4.12 INVESTMENTS IN SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEE

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.

Accounting Estimate - Provision for Impairment
An impairment assessment was carried out as at 31st March 2018 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value except for DIMO Travels (Private) Limited. Based on an assessment made for impairment, the provision given in Note 4.12.2 was considered to be adequate as at reporting date.

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 is involved in automobile repair and servicing. The Group invested in the company as part of expansion into automobile repair and servicing business, overseas.

Investment in United DIMO Lanka 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 Lanka Company Limited, for 70% shares of the latter involved in automobile repair and servicing. The DIMO Lanka Company Limited invested in United DIMO Lanka Company Limited as part of expansion into automobile repair and servicing business.

Carrying Value of Investments in Subsidiaries

As at 31st March	Percentage of Holding	Company 2018	2017
	(%)	**Rs.'000**	Rs.'000
Unquoted Investment - Ordinary Shares			
DIMO (Private) Limited - 25,000 ordinary shares	100	**250**	250
DIMO Industries (Private) Limited - 2,305,000 ordinary shares	100	**23,050**	23,050
DIMO Travels (Private) Limited - 500 ordinary shares	100	**50**	50
DIMO Lanka Company Limited - 25,000 ordinary shares	100	**38,199**	-
United DIMO Lanka Company Limited - 14,000 ordinary shares (sub-subsidiary)	70	**-**	-
PlantChem (Pvt) Limited - 14,195,767 ordinary shares	51	**119,059**	-
- Contingent consideration		**16,768**	-
Plant Seeds (Pvt) Limited - 6,577,185 ordinary shares	51	**226,444**	-
- Contingent consideration		**4,958**	-
		428,778	23,350
Impairment provision (Note 4.12.2)		**(187)**	(61)
		428,591	23,289

The Group subsidiaries with material non-controlling interests are given in Note 4.12.4

4.12.2 Movement in Provision for Impairment of Investments in Subsidiaries

As at 31st March	Company 2018	2017
	Rs.'000	Rs.'000
At the beginning of the year	**61**	-
Provision for impairment	**126**	61
At the end of the year	**187**	61

4.12.3 Acquisition of Subsidiaries

On 23rd February 2018, the Group acquired 51% equity interest in PlantChem(Private) Limited and Plant Seeds (Private) Limited, companies incorporated in Sri Lanka, for an aggregate purchase consideration of Rs 345.5 million. The Group has acquired these companies as part of its agriculture business expansion plan.

The following represents the fair values of the identifiable assets and liabilities of the said subsidiaries, as at the date of acquisition.

As at 31st March	PlantChem (Private) Limited 2018 Rs.'000	Plant Seeds (Private) Limited 2018 Rs.'000
Assets		
Property, plant and equipment	197,337	99,362
Fixed Deposits	119,839	10,980
Deferred tax Asset	16,359	-
Inventories	140,924	85,743
Trade and other receivables	199,857	80,709
Loans, Advances & Pre-payments	50,810	43,296
Amount Due from Related Parties	20,059	76,372
Cash and Cash Equivalents	16,082	14,384
Total Assets	761,267	410,846
Liabilities		
Lease Liability	10,543	7,832
Trade Creditors	68,081	39,903
Amount Due to Related Parties	76,372	20,059
Loans and Other Payables	218,255	77,665
Retirement Gratuity	9,567	1,723
Tax Liability	1,914	-
Deferred Tax liability	-	3,103
Accrued Expenses	11,940	7,226
Bank Overdrafts	22,534	1,552
Total Liabilities	419,206	159,063
Total identifiable net assets at fair value	342,061	251,783
Non-controlling interest measured at fair value	167,610	123,374
Goodwill arising on acquisition	-	102,993
Bargain purchase arising on acquisition	38,623	-
Purchased consideration transferred	119,059	226,444
Contingent consideration	16,768	4,958
Net cash outflow on Acquisition	360,534	296,235

Contingent consideration

As part of the purchase agreement with the acquirees of PlantChem(Private) Limited and Plant Seeds (Private) Limited, a contingent consideration has been agreed. There will be additional cash payments to the acquirees, PlantChem (Private) Limited and Plant Seeds (Private) Limited, as purchaser agreed and undertook that in the event the below amounts or any part thereof is realised prior to 31st October 2018, 51% of the aggregate recovered amount shall be paid to acquirees.

a) Inventory over 365 days amounting Rs. 135 million as at 31st October 2017

b) Trade receivables over 180 days amounting Rs. 38 million as at 31st October 2017

As at the reporting date, the fair value of the contingent consideration was estimated to be Rs. 16.7 million for PlantChem (Private) Limited and Rs. 4.9 million for Plant Seeds (Private) Limited. This has been duly recognised in the Financial Statements

Fair value of the contingent consideration was arrived based on the recoveries made subsequently from the debtors outstanding for more than 180 days as at 31st October 2017 and subsequent sale of slow moving stock which were over 365 days overdue as at 31st October 2017.

Acquisition-related costs

The Group incurred acquisition-related costs of Rs. 6.6 million on legal fees and due diligence costs. These costs have been included in 'Administrative expenses'.

4.12.4 Principal 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.

Acquisition of subsidiary with non-controlling Interests

	Amount (Rs.'000)
United DIMO Lanka Company Limited	9,122
PlantChem (Private) Limited	167,610
Plant Seeds (Private) Limited	123,374
	300,106

The following table summarises the information relating to United DIMO Lanka Company Limited, PlantChem(Private) Limited and Plant Seeds (Private) Limited that has material non-controlling interest, before any intra-group eliminations.

As at 31st March	United DIMO Lanka Company Limited 2018 Rs.'000	PlantChem (Private) Ltd 2018 Rs.'000	Plant Seeds (Private) Ltd 2018 Rs.'000	Total 2018 Rs.'000
Non-controlling interest percentage	30%	49%	49%	
Summarised statement of financial position				
Current assets	22,320	530,239	370,360	922,919
Non-current assets	19,530	339,496	110,445	469,471
Total assets	41,850	869,735	480,805	1,392,390
Current liabilities	19,510	510,270	215,082	744,862
Non-current liabilities	-	9,692	8,352	18,044
Total liabilities	19,510	519,962	223,434	762,906
Net assets	22,340	349,773	257,371	629,484
Net assets attributable to non-controlling interest	6,702	171,389	126,112	304,203
Summarised statement of profit or loss and other comprehensive income				
Revenue	8,346	88,654	62,018	159,018
Profit after tax	(8,699)	7,712	5,588	4,601
Other comprehensive income	633	-	-	633
Total comprehensive income	(8,066)	7,712	5,588	5,234
Profit attributable to non-controlling interest	(2,610)	3,779	2,738	3,907
Other comprehensive income attributable to non-controlling interest	190	-	-	190
Summarised statement of cash flow				
Cash flows from operating activities	(31,200)	16,716	3,106	(11,378)
Cash flows from investing activities	(17,755)	(4,088)	27	(21,816)
Cash flows from financing activities	49,853	(1,201)	(395)	48,257
Net increase in cash and cash equivalents	898	11,427	2,738	15,063

4.12.5 Equity-accounted investee

Accounting Policy

The Group's interest in equity-accounted investees comprise interest in a Joint venture.

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.

Interests in the Joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. 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.

Acquisition of 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. 58.16 million with an option to purchase further 10% of the shares within next 3 years. DIMO Coastline (Private) Limited is a company incorporated in Republic of Maldives. The Group has acquired the company as part of expansion into marine and general engineering business overseas.

The following table summarises the financial information relating to DIMO Coastline (Private) Limited as included in its 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.

Statement of Financial Position

As at 31st March	DIMO Coastline (Private) Ltd 2018 Rs.'000
Percentage ownership interest	40%
Non-current assets	96,882
Current assets	67,905
Total assets	164,787
Non-current liabilities	-
Current liabilities	27,042
Total liabilities	27,042
Net assets (100%)	137,745
Group's share of net assets (40%)	55,098
Carrying amount of interest in equity-accounted investee	55,098

Income Statement

For the year ended	DIMO Coastline (Private) Ltd 2018 Rs.'000
Revenue	6,342
Depreciation	155
Interest expense	78
Income tax expense	-
Loss after tax	7,451
Total comprehensive income (100%)	7,451
Group's Share of results of equity accounted investee recognised in statement of profit or loss and other comprehensive income, net of tax (40%)	2,980

Reconciliation of summarised financial information
Reconciliation of the above summarised financial information to the carrying amount of the interest in equity accounted investee recognised in the financial statements is as follows;

Carrying Value of Equity-accounted investee

As at 31st March	2018 Rs.'000
Acquisition of equity accounted investee	58,163
Less	
Net loss for the period recognised in income statement	(2,980)
Foreign currency translation difference in ownership in equity	(85)
Value of investment in equity accounted investee as at 31st March 2018	55,098

4.13 FAIR VALUE OF ASSETS AND LIABILITIES

Accounting Policies

Financial assets

Initial recognition and measurement
The Group classifies financial assets at initial recognition as available-for-sale financial assets or loans and receivables 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 permitted and required.

All the financial assets are initially recognised at fair value plus directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification. Details of different types of financial assets recognised in the Statement of Financial Position are given in Notes 4.14 and 4.16 on pages 188 and 190.

Financial assets - available-for-sale (AFS)
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale financial assets or which are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets consist of investments in quoted shares held for earnings on income or for capital appreciation.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly consist of trade and other receivables, deposits and cash and cash equivalents.

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
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.

The subsequent measurement of financial liabilities depends on their classification. Details of financial liabilities recognised in the Statement of Financial Position are given in Notes 4.22 and 4.27 on pages 193 to 202.

Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

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	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
i. Financial assets at fair value through profit or loss	**-**	-	**-**	-
ii. Held-to-maturity (HTM)	**-**	-	**-**	-
iii. Loans and receivables (L&R)				
- Trade and other receivables	**5,997,911**	4,276,799	**4,466,471**	3,243,893
- Deposits	**176,269**	117,393	**147,202**	112,123
- Cash and cash equivalents	**265,532**	281,799	**191,538**	269,556
- Amounts due from subsidiaries	**-**	-	**100,842**	79,319
- Amount due from Equity accounted investee	**9,860**	-	**9,860**	-
iv. Available-for-sale (AFS)				
- Financial assets-available-for-sale	**8,296**	7,825	**8,267**	7,804
Total financial assets	**6,457,868**	4,683,816	**4,924,180**	3,712,695

Financial Liabilities

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
i. Financial liabilities at fair value through profit or loss	**-**	-	**-**	-
ii. Other financial liabilities	**-**	-	**-**	-
- Current portion of long-term borrowings	**282,350**	319,425	**281,236**	319,425
- Long-term borrowings	**312,505**	590,100	**310,140**	590,100
- Short-term borrowings	**8,594,068**	7,472,692	**8,161,883**	7,406,351
- Trade payables	**2,974,203**	1,681,344	**2,495,928**	1,563,181
- Contingent consideration acquired through business combination	**21,726**	-	**21,726**	-
- Amounts due to subsidiaries	**-**	-	**498,941**	195,149
Total financial liabilities	**12,184,852**	10,063,561	**11,769,854**	10,074,206

Fair value of assets and liabilities

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

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.

Non-financial assets measured at fair value

The valuation technique and inputs used in measuring the fair value of freehold land are given in Note 4.9.1.

The Group held the following financial and non-financial assets carried at fair value in the Statement of Financial Position.

As at 31st March		Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Financial assets					
Classified as available-for-sale	Level 1	**8,296**	7,825	**8,267**	7,804
	Level 2	**-**	-	**-**	-
	Level 3	**-**	-	**-**	-
Non-financial assets					
Freehold land	Level 1	**-**	-	**-**	-
	Level 2	**-**	-	**-**	-
	Level 3	**7,277,593**	4,460,029	**7,244,958**	4,460,029

Financial liabilities are not measured at fair value.

4.13.2 Financial Risk Management

The Group has exposure mainly to the following risks from financial instruments:

a. Market risk (including currency risk, fair value interest rate risk and cash flow interest rate 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 framework. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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. Further details are discussed in the Risk Management Report on pages 132 to 138.

(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, will affect the Group's income 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) 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 where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

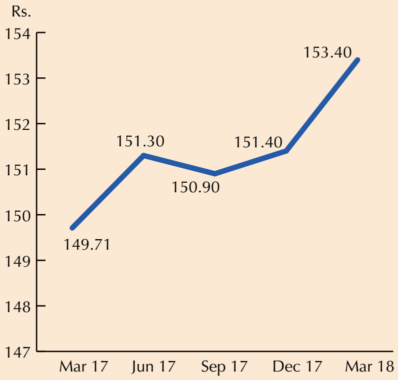
The Group had taken measures to manage risk by having foreign currency trade receivables and foreign currency bank account balances to cover the exposure on foreign currency payables. Hence the overall objective of currency risk management is to reduce the short term negative impact of exchange rate 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 as follows:

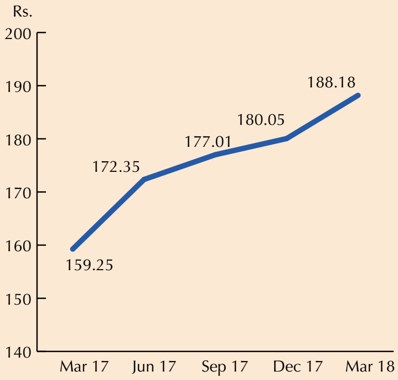
Sensitivity Analysis - Based on exchange rate fluctuation

For the year ended 31st March		Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
US Dollar (USD)					
Appreciation/(depreciation) during the financial year	- Rs.	**3.69**	2.75	**3.69**	2.75
	- %	**2%**	2%	**2%**	2%
1 % change impact to profitability by	- Rs.'000	**1,814**	2,160	**2,054**	1,472
Euro (EUR)					
Appreciation/(depreciation) during the financial year	- Rs.	**28.93**	(2.76)	**28.93**	(2.76)
	- %	**18%**	2%	**18%**	2%
1 % change impact to profitability by	- Rs.'000	**1,232**	594	**558**	120

Movement in Exchange Rate - USD



Movement in Exchange Rate - EUR



(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's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating rates. The Group manages its interest rate risk by monitoring and managing cash flows, negotiating favourable rates on borrowings and deposits including and maintaining an appropriate combination of fixed and floating rate debt.

Sensitivity Analysis

If interest rates had been higher/lower by 50 basis points and all other variables were held constant, the profit before tax for the year ended 31st March 2018 would decrease/increase by Rs. 4.6 million (2016/17 Rs. 4.3 million). This is mainly attributable to the Group's exposure to variable rates of interest.

(iii) Equity price risk

The Group is exposed to equity price risk because of investments in quoted shares held by the Group classified as financial assets available-for-sale.

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.

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.

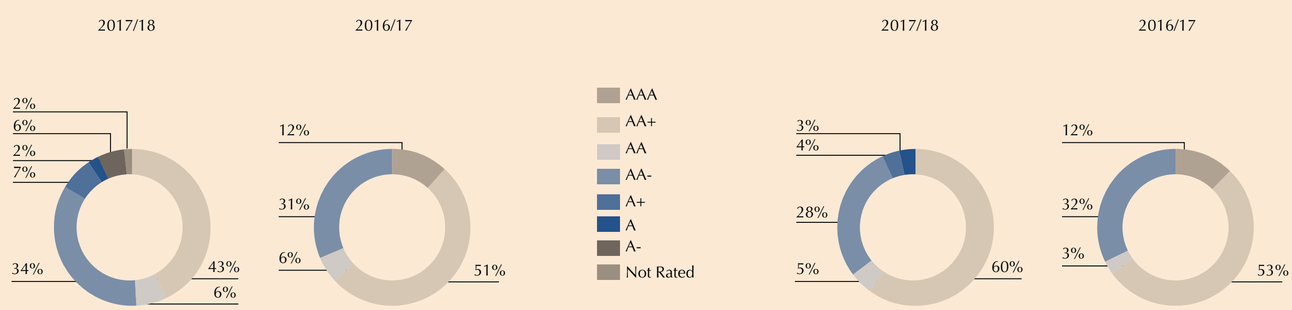
As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Trade and other receivables	**5,997,911**	4,276,799	**4,466,471**	3,243,893
Amounts due from subsidiaries	**-**	-	**100,842**	79,319
Cash at bank	**232,860**	253,402	**164,248**	245,020
Total credit risk exposure	**6,230,771**	4,530,201	**4,731,561**	3,568,232

Balances with banks

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Fitch Rating				
AAA	**-**	30,020	**-**	30,020
AA+	**99,757**	129,870	**98,619**	129,845
AA	**14,843**	14,597	**8,082**	6,284
AA-	**80,247**	78,915	**46,395**	78,871
A+	**16,448**	-	**5,970**	-
A	**5,190**	-	**5,182**	-
A-	**12,714**	-	**-**	-
Not Rated	**3,661**	-	**-**	-
Total bank balances (Note 4.18)	**232,860**	253,402	**164,248**	245,020

Balances with Banks - Group

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 the management of 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 mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts,finance leases and bank loans. Access to sources of funding is sufficiently available.

Maturity profiles and specific risk management strategies with regard to trade payables and bank borrowings are given in Note 4.27.1 and 4.22.1.

4.13.3 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:

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000
Long-term borrowings (Note 4.22.1.1)	**594,855**	909,525
Equity	**11,776,158**	10,164,942
Total equity and long-term borrowings	**12,371,013**	11,074,467
Gearing ratio (%)	**5%**	8%

4.14 FINANCIAL ASSETS - AVAILABLE-FOR-SALE (AFS)

Accounting Policy

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity through Other Comprehensive Income in the available-for-sale reserve. When these financial assets are derecognised, the gain or loss accumulated in equity is reclassified to Profit or Loss.

The fair values of quoted shares are based on current bid prices at the end of the reporting period.

Dividends earned whilst holding available-for-sale financial assets are recognised in Profit or Loss as 'Other Operating Income' when the right to receive the payment has been established.

Accounting Estimate - Assessment of Impairment

At each reporting date the Group assesses whether there is any objective evidence that an asset or a group of assets is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a 'Significant' or 'Prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'Prolonged' against the period for which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative impairment loss measured as the difference between the acquisition cost and the current fair value (less any impairment loss previously recognised in profit or loss), is removed from other comprehensive income. Impairment losses on equity investments are not reversed through income statement; increase in fair value after impairment are recognised directly in other comprehensive income.

Carrying Value of Available-for-Sale Financial Assets

As at 31st March	Group No. of Shares	Group Market Value 2018 (Per Share)	Group Total Cost Rs.'000	Group Fair Value 2018 Rs.'000	Group Fair Value 2017 Rs.'000	Company No. of Shares	Company Market Value 2018 (Per Share)	Company Total Cost Rs.'000	Company Fair Value 2018 Rs.'000	Company Fair Value 2017 Rs.'000
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	**65**	14	**58**	42	450	**65**	7	**29**	21
Hatton National Bank PLC (non-voting)	35,076	**186**	700	**6,538**	6,389	35,076	**186**	700	**6,538**	6,389
Ceylinco Insurance PLC (non-voting)	1,700	**1,000**	298	**1,700**	1,394	1,700	**1,000**	298	**1,700**	1,394
			1,012	**8,296**	7,825			1,005	**8,267**	7,804

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 and work-in-progress - 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 in the workshops 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.

Carrying Value of Inventories As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Raw material	**492,387**	-	**359,165**	-
Stock-in-trade and finished goods	**7,266,600**	7,614,666	**7,010,061**	7,527,741
Work-in-progress (at cost)	**329,526**	406,459	**91,367**	135,621
Provision for slow moving inventories (Note 4.15.1)	**(349,743)**	(405,821)	**(318,820)**	(385,805)
	7,738,770	7,615,304	**7,141,773**	7,277,557
Goods-in-transit	**1,822,268**	1,326,407	**1,774,032**	1,296,808
Total inventories at the lower of cost and net realisable value	**9,561,038**	8,941,711	**8,915,805**	8,574,365

4.15.1 Movement in Provision for Slow Moving Inventories

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
At the beginning of the year	**405,821**	261,966	**385,805**	245,472
(Reversal)/Provision for slow moving inventories	**(56,078)**	143,855	**(66,985)**	140,333
At the end of the year	**349,743**	405,821	**318,820**	385,805

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

The Group/Company considers 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/Company uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred, and makes an adjustment if current 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

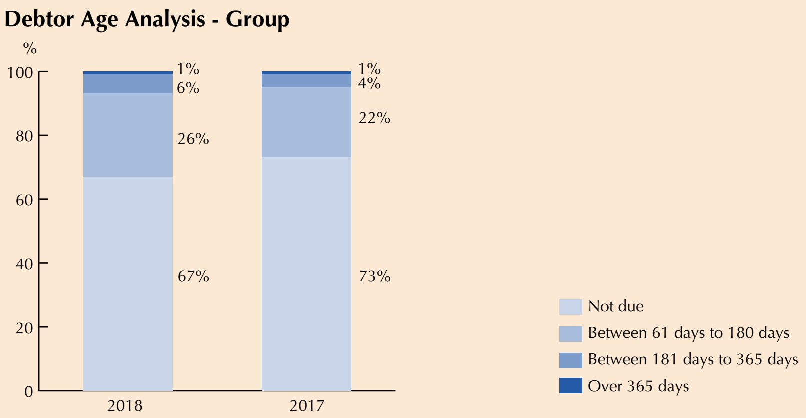
	Group		Company	
As at 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Trade receivables	**6,454,988**	4,815,895	**4,828,452**	3,693,389
Provision for impairment (Note 4.16.1)	**(463,949)**	(544,962)	**(367,424)**	(454,966)
	5,991,039	4,270,933	**4,461,028**	3,238,423
Other receivables	**6,872**	5,866	**5,443**	5,470
Carrying value	**5,997,911**	4,276,799	**4,466,471**	3,243,893

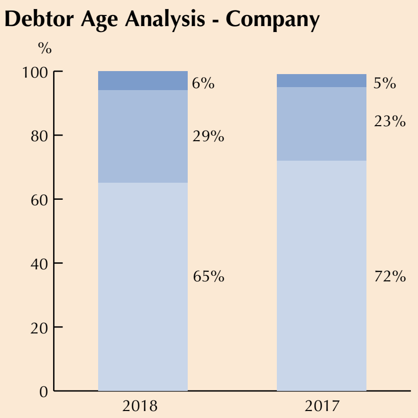
4.16.1 Movement in Provision for Impairment of Trade Receivables

	Group		Company	
As at 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	**544,962**	467,499	**454,966**	404,147
Provision for impairment of trade receivables	**(81,013)**	77,463	**(87,542)**	50,819
At the end of the year	**463,949**	544,962	**367,424**	454,966

4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

	Group		Company	
As at 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Not due	**4,018,092**	3,112,656	**2,904,281**	2,337,178
Due but not impaired				
Between 61 days to 180 days	**1,569,308**	960,673	**1,280,984**	750,058
Between 181 days to 365 days	**337,839**	165,408	**260,622**	141,466
Over 365 days	**65,800**	32,196	**15,141**	9,721
Net trade receivables - maximum exposure to credit risk	**5,991,039**	4,270,933	**4,461,028**	3,238,423
Provision for impairment	**463,949**	544,962	**367,424**	454,966
Gross trade receivables	**6,454,988**	4,815,895	**4,828,452**	3,693,389





With respect to trade receivables as at the reporting date, past due but not impaired, based on credit history, there are no indications that customers will not be able to meet their obligations. No indication of default is identifiable for trade receivables that are neither past due nor impaired.

4.16.3 Carrying amount of trade receivables are denominated in the following currencies

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Currency				
Sri Lankan Rupees	**5,604,830**	4,097,608	**4,177,805**	3,149,450
USD	**252,516**	134,619	**217,624**	65,540
Euro	**132,899**	37,353	**65,555**	22,571
Japanese Yen	**493**	668	**-**	177
Other	**301**	685	**44**	685
	5,991,039	4,270,933	**4,461,028**	3,238,423

Trade receivables jointly with inventories have been pledged as security for short-term borrowings up to a limit of Rs. 95 million (2016/17 - Rs. 95 million).

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/Company classifies all non financial current assets under other current assets. Other current assets mainly comprise of advances, deposits, prepayments and current portion of the lease rentals paid in advance.

Advances and deposits 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 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Deposits	**176,269**	117,393	**147,202**	112,123
Prepayments	**691,930**	529,934	**385,293**	465,714
Lease rentals paid in advance (Note 4.10)	**2,205**	2,205	**2,205**	2,205
Other receivables	**64,474**	245,918	**78,767**	244,404
	934,878	895,450	**613,467**	824,446

4.18 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise of cash at bank and in hand balances. 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 and short-term borrowings that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Carrying Value of Cash and Cash Equivalents

	Group		Company	
As at 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Bank balances	**232,860**	253,402	**164,248**	245,020
Cash in hand	**32,672**	28,397	**27,290**	24,536
	265,532	281,799	**191,538**	269,556

Review of credit risk

The Group's cash and cash equivalents comprise of cash at bank and in hand balances. The credit risk relating to bank balances are analysed according to ratings of each bank which is available on page 187.

	Group		Company	
As at 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Currency				
Sri Lankan Rupees	**199,835**	173,234	**158,825**	161,005
USD	**50,539**	108,545	**22,113**	108,545
Euro	**9,084**	20	**8,498**	6
Other	**6,074**	-	**2,102**	-
	265,532	281,799	**191,538**	269,556

4.19 STATED CAPITAL

	Company			
As at 31st March	No. of Shares	**2018**	No. of Shares	2017
		Rs.'000		Rs.'000
Ordinary Shares				
Issued and Fully-paid Ordinary Shares				
At the end of the year	8,876,437	**425,297**	8,876,437	425,297

4.20 REVENUE RESERVE

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
At the beginning of the year	**6,899,747**	6,725,026	**5,981,889**	5,869,788
Dividends	**(177,529)**	(452,698)	**(177,529)**	(452,698)
Statement of Profit or Loss and other comprehensive income				
Profit for the year	**550,308**	656,791	**324,905**	593,032
Other Comprehensive Income				
Actuarial loss arising from employees benefits (Net of tax)	**27,373**	(29,372)	**19,449**	(28,233)
At the end of the year	**7,299,899**	6,899,747	**6,148,714**	5,981,889

4.21 OTHER COMPONENTS OF EQUITY

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
At the beginning of the year	**2,839,898**	2,839,356	**2,839,885**	2,839,341
Other Comprehensive Income				
Revaluation of freehold land, net of tax	**1,208,991**	-	**1,208,991**	-
Net fair value gains on remeasuring financial assets-available-for-sale	**371**	542	**363**	544
Foreign currency translation reserve	**1,702**	-	**(85)**	-
At the end of the year	**4,050,962**	2,839,898	**4,049,154**	2,839,885

4.22 LONG-TERM AND SHORT-TERM 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 Carrying Value of Long-term Borrowings

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
i. Non-current portion of the long-term borrowings				
Finance lease liabilities (Note 4.22.3)	**5,683**	-	**-**	-
Term loans (Note 4.22.1.1)	**312,505**	590,100	**310,140**	590,100
Total non-current portion of long-term borrowings	**318,188**	590,100	**310,140**	590,100
ii. Current portion of the long-term borrowings				
Finance lease liabilities (Note 4.22.3)	**11,333**	-	**-**	-
Term loans (Note 4.22.1.1)	**282,350**	319,425	**281,236**	319,425
Total current portion of long-term borrowings	**293,683**	319,425	**281,236**	319,425

4.22.1.1 Movement and Classification of Long-term Borrowings

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
At the beginning of the year	**907,090**	1,301,990	**907,090**	1,301,990
Acquisition through business combination (Note 4.12.3)	**3,550**	-	**-**	-
Loans obtained during the year	**-**	-	**-**	-
Repayments during the year	**(317,061)**	(394,900)	**(316,990)**	(394,900)
At the end of the year (before adjusting interest payable)	**593,579**	907,090	**590,100**	907,090
Interest payable	**1,276**	2,435	**1,276**	2,435
At the end of the year	**594,855**	909,525	**591,376**	909,525
Classified as current liabilities (repayable within one year)	**282,350**	319,425	**281,236**	319,425
Classified as non current liabilities (repayable after one year)	**312,505**	590,100	**310,140**	590,100

4.22.1.2 Principal Amounts of Long-term Borrowings

Lender	Currency	Group 2018 Rs.'000	Group 2017 Rs.'000	Outstanding as at 31.03.2018 Rs.'000	Outstanding as at 31.03.2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000	Outstanding as at 31.03.2018 Rs.'000	Outstanding as at 31.03.2017 Rs.'000
Commercial Bank of Ceylon PLC	LKR	**-**	400,000	**-**	37,030	**-**	400,000	**-**	37,030
Commercial Bank of Ceylon PLC	LKR	**600,000**	600,000	**190,000**	310,000	**600,000**	600,000	**190,000**	* 310,000
Commercial Bank of Ceylon PLC	LKR	**800,000**	800,000	**400,100**	560,060	**800,000**	800,000	**400,100**	** 560,060
DFCC Bank	LKR	**4,000**	-	**3,479**	-	**-**	-		-
Total		**1,404,000**	1,800,000	**593,579**	907,090	**1,400,000**	1,800,000	**590,100**	907,090

** Repayable in 60 instalments commenced from December 2014*

*** Repayable in 60 instalments commenced from October 2015*

Security pledged against the above bank loan facilities are disclosed in Note 4.9.3.

4.22.1.3 Analysis of Long-term Borrowings by the year of Repayment

Group As at 31st March	Commercial Bank of Ceylon PLC Rs.'000	DFCC Bank Rs.'000	Total 2018 Rs.'000	Total 2017 Rs.'000
At the beginning of the year	907,090	-	**907,090**	1,301,990
Acquisition through business combination (Note 4.12.3)	-	3,550	**3,550**	-
Loans obtained during the year	-	-	**-**	-
Repayments during the year	(316,990)	(71)	**(317,061)**	(394,900)
At the end of the year	590,100	3,479	**593,579**	907,090
Analysis of Long-term Borrowings by Period of Repayment				
Repayable - within 6 months from year end	139,980	557	**140,537**	159,960
- between 6 months and 1 year	139,980	557	**140,537**	157,030
- between 1 and 5 years from year end	310,140	2,365	**312,505**	590,100
	590,100	3,479	**593,579**	907,090

Company As at 31st March	Commercial Bank of Ceylon PLC Rs.'000	**Total** **2018** **Rs.'000**	2017 Rs.'000
At the beginning of the year	907,090	**907,090**	1,301,990
Loans obtained during the year	-	**-**	-
Repayments during the year	(316,990)	**(316,990)**	(394,900)
At the end of the year	590,100	**590,100**	907,090
Analysis of Long-term Borrowings by Period of Repayment			
Repayable - within 6 months from year end	139,980	**139,980**	159,960
- between 6 months and 1 year	139,980	**139,980**	157,030
- between 1 and 5 years from year end	310,140	**310,140**	590,100
	590,100	**590,100**	907,090

4.22.2 Short-term Borrowings

As at 31st March	**Group** **2018** **Rs.'000**	2017 Rs.'000	**Company** **2018** **Rs.'000**	2017 Rs.'000
Short-term bank loans	**7,992,541**	7,349,669	**7,638,296**	7,306,939
Bank overdrafts	**601,527**	123,023	**523,587**	99,412
	8,594,068	7,472,692	**8,161,883**	7,406,351

Unutilised bank facilities as at 31st March 2018 amounted to Rs. 4,060 million (2016/17 - Rs. 5,801.3 million).

Short-term bank loans are repayable within a period of six months and details of inventories and trade receivables which have been pledged against the above short-term loan facilities are disclosed in Note 4.16.3.

4.22.3 Finance lease liabilities

Accounting Policy

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The Group acquired the following finance lease obligations through business combination. These leases have been obtained for motor vehicles.

Movement of Finance Lease Liabilities

As at 31st March	Group 2017 Rs.'000	2017 Rs.'000
At the beginning of the year	-	-
Acquisition through business combination (Note 4.12.3)		-
Lease Creditors	20,359	-
Finance Charge unamortised	(1,984)	-
	18,375	-
New leases obtained	-	-
Repayments	(1,525)	-
Finance Lease Expense recognised in Income Statement	166	-
Present value of minimum lease payments	17,016	-
Finance charge unamortised	1,818	-
Future minimum lease payments	18,834	-

Analysis of Finance Lease Liabilities by period of Re-payment

As at 31st March 2018	Group Future minimum lease payments Rs.'000	Finance charge unamortised Rs.'000	Present value of minimum lease payments Rs.'000
Within the year	12,600	(1,267)	11,333
After one year	6,234	(551)	5,683
	18,834	(1,818)	17,016

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 a 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 10.5% p.a. (2016/17 - Rs. 11.5%) 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

As at 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	**626,158**	500,505	**583,912**	468,525
Acquisition through business combination (Note 4.12.3)	**11,290**	-	**-**	-
Statement of Profit or Loss				
Current service cost	**49,611**	44,933	**43,380**	39,560
Interest cost	**71,938**	52,506	**67,150**	49,195
	121,549	97,439	**110,530**	88,755
Other Comprehensive Income				
Net Actuarial loss/(gain)	**(38,019)**	40,795	**(27,013)**	39,213
	(38,019)	40,795	**(27,013)**	39,213
Total charge for the year	**83,530**	138,234	**83,517**	127,968
Other				
Paid during the year	**(59,563)**	(12,581)	**(58,207)**	(12,581)
At the end of the year	**661,415**	626,158	**609,222**	583,912

4.23.2 Principal Actuarial Assumptions

An actuarial valuation was carried out as at 31st March 2018 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries.

Assumption	2018	2017
Financial		
Rate of discount	**10.50% p.a.**	11.50% p.a.
Salary escalation rate	**10.00% p.a.**	11.00% p.a.
Demographic		
Mortality-in service	A 67/70 mortality table, issued by the Institute of Actuaries, London	
Retirement Age		
- An Executive employee	**60 years**	60 years
- A Non-Executive employee	**55 Years**	55 Years
Staff Turnover		
- Upto age 49	**14%**	16%-22%
- After age 49	**0%**	0%

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 2018 amounted to Rs. 615.2 million (2016/17- Rs.556.6 million) and Rs. 573.3 million (2016/17- Rs.519.0 million) respectively.

4.23.3 Sensitivity Analysis

Reasonably possible variation in one of the relevant actuarial assumptions at the reporting date, holding other assumptions constant, would have affected defined benefit obligation by the amounts shown below;

Assumption	Change in Defined Benefit Obligation				Present Value of Defined Benefit Obligation			
	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	(27,289)	30,210	(24,892)	27,520	621,808	679,307	584,330	636,742
Salary escalation rate	32,691	(30,054)	29,828	(27,461)	681,788	619,043	639,050	581,761

4.23.4 Maturity Analysis of the payments

As at 31st March 2018	Group Rs. '000	Company Rs. '000
Within the next 12 months	215,707	198,440
Between 1-2years	97,982	91,071
Between2-5 years	158,938	151,590
Between5-10 years	115,169	101,753
Beyond 10 years	73,619	66,368
	661,415	609,222

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 - Judgement Used

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.

Carrying Value of Deferred Tax Assets/(Liabilities)

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	**(243,572)**	(180,450)	**(247,606)**	(182,161)
Acquired through business combination (Note 4.12.3)				
- PlantChem (Private) Limited	**16,359**	-	**-**	-
- Plant Seeds (Private) Limited	**(3,103)**	-	**-**	-
Origination of temporary differences to Profit or Loss	**(26,630)**	(74,545)	**(34,156)**	(76,425)
(Origination) / Reversal of temporary differences to Other Comprehensive Income (Note 4.24.2)	**(1,582,580)**	11,423	**(1,579,557)**	10,980
At the end of the year (Note 4.24.1)	**(1,839,526)**	(243,572)	**(1,861,319)**	(247,606)
Made up as follows:				
Deferred tax assets	**24,906**	4,034	**-**	-
Deferred tax liabilities	**(1,864,432)**	(247,606)	**(1,861,319)**	(247,606)
	(1,839,526)	(243,572)	**(1,861,319)**	(247,606)

4.24.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Deferred Tax Liability				
Temporary difference arising from property, plant and equipment	**(7,334,452)**	(1,502,871)	**(7,273,445)**	(1,473,398)
Total temporary difference of deferred tax liability	**(7,334,452)**	(1,502,871)	**(7,273,445)**	(1,473,398)
Closing deferred tax liability @ 28%	**(2,046,654)**	(420,803)	**(2,036,564)**	(412,551)
Closing deferred tax liability @ 25%	**(162)**	-	**-**	-
Closing deferred tax liability @ 14%	**(2,840)**	-	**-**	-
Closing deferred tax liability @ 12%	**(484)**	-	**-**	-
	(2,050,140)	(420,803)	**(2,036,564)**	(412,551)
Deferred Tax Assets				
Temporary difference arising from defined benefit obligation	**661,415**	626,158	**609,222**	583,911
Temporary difference arising from warranty provision	**19,158**	6,811	**16,656**	5,178
Temporary difference arising from Tax Losses	**73,991**	-	**-**	-
Total temporary difference of deferred tax assets	**754,564**	632,969	**625,878**	589,089
Closing deferred tax assets @ 28%	**207,240**	177,231	**175,245**	164,945
Closing deferred tax assets @ 25%	**3,162**	-	**-**	-
Closing deferred tax assets @ 12%	**212**	-	**-**	-
	210,614	177,231	**175,245**	164,945
Net temporary differences	**(6,579,888)**	(869,902)	**(6,647,567)**	(884,309)
Net deferred tax liability	**(1,839,526)**	(243,572)	**(1,861,319)**	(247,606)

4.24.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group					Company			
	As at 01.04.2017	Acquired though business combination	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	**As at 31.03.2018**	As at 01.04.2017	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	**As at 31.03.2018**
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**
Property, plant and equipment									
- Deferred tax liability	(420,803)	(6,806)	(50,538)	(1,571,993)	**(2,050,140)**	(412,551)	(52,020)	*(1,571,993)	**(2,036,564)**
Retirement benefit obligation									
- Deferred tax asset	175,324	2,886	17,349	(10,646)	**184,913**	163,495	14,650	(7,564)	**170,581**
Warranty provision									
- Deferred tax asset	1,907	-	3,457	-	**5,364**	1,450	3,214	-	**4,664**
Tax Losses									
- Deferred tax asset	-	17,176	3,102		**20,278**	-	-	-	**-**
- Effect of movement in exchange rates	-	-	-	59	**59**	-	-	-	**-**
	(243,572)	13,256	(26,630)	(1,582,580)	**(1,839,526)**	(247,606)	(34,156)	(1,579,557)	**(1,861,319)**

* Deferred tax liability attributable to revaluation surplus

Deferred tax effect on land revaluation is made up as follows;

As at 31st March 2018	Amount Rs.'000
Deferred tax effect to revaluation reserve at the beginning of the year	793,317
Deferred tax effect on addition to revaluation reserve made during the year	778,676
	1,571,993

4.25 DEFERRED INCOME

Accounting Policy

Unprovided free services relating to vehicle sales

The Company sells vehicles bundled with free services to the customers with limitations on mileage or usage period. The unprovided free services are deferred at the time of selling the vehicles at its relative fair value and recognised as revenue when the recognition criteria are fulfilled 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 as 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 Deferred Income

	Group		Company	
As at 31st March	**2018**	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
At the beginning of the year	**335,895**	354,755	**108,619**	158,313
Income deferred during the year	**845,417**	1,110,692	**318,282**	495,856
Income amortised during the year	**(920,069)**	(1,129,552)	**(309,105)**	(545,550)
At the end of the year	**261,243**	335,895	**117,796**	108,619

Analysis of deferred income by period of amortisation

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Current portion of deferred income	**225,581**	288,133	**94,983**	99,861
Non-current portion of deferred income	**35,662**	47,762	**22,812**	8,758
	261,243	335,895	**117,795**	108,619

4.26 PROVISIONS

Accounting Policy

Provisions

Provisions are recognised when the Group/Company 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 the Financial Statements.

Provisions for extended warranty

The Company may offer extended warranties on vehicles on its own account in, certain circumstances. The extended warranty is provided by giving a warranty period that goes beyond the warranty period provided by manufacturers.

A provision for warranty is recognised when the underlying products are sold. The provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said extended warranty provision will be reversed upon expiration of the warranty period.

Accounting Estimate

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.

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Provision for litigation and claims	**11,000**	11,000	**11,000**	11,000
Provisions for warranty	**19,158**	6,812	**16,656**	5,179
	30,158	17,812	**27,656**	16,179

Carrying value of warranty provision

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Balance Beginning of the year	**6,812**	5,315	**5,179**	5,315
Provision made during the year	**18,188**	7,850	**14,459**	4,688
Amount used/reversed during the period	**(5,842)**	(6,353)	**(2,982)**	(4,824)
Carrying value at the end of the year	**19,158**	6,812	**16,656**	5,179

4.27 TRADE PAYABLES

Accounting Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade 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 payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Generally trade payables are due within 90 days.

Carrying Value of Trade Payables

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Trade payables	**2,974,203**	1,681,344	**2,495,928**	1,563,181

4.27.1 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Group and the Company as at the year-end was 0.54 and 0.43 respectively (2016/17 - Group 0.51:1, Company 0.42:1). As a liquidity risk management measure, the Group/Company continually compare trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

The trade payables of the Group include an amount of Rs. 1,822 million as bills payable corresponding to goods shipped but not received. At the time of settlement of such bills, the Group will obtain short-term loans to cover the working capital cycle period of the imports.

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, advances and contingent consideration arisen through business combination. These liabilities are recorded at the amounts that are expected to be paid.

Carrying Value of Other Current Liabilities

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Advanced received	**447,154**	347,444	**256,036**	324,903
Unclaimed dividend	**9,594**	7,996	**9,594**	7,996
Value Added Tax (VAT)	**452**	21,238	**-**	-
Contingent consideration arisen through business combination	**21,726**	-	**21,726**	-
Provisions for litigation and claims	**11,000**	11,000	**11,000**	11,000
Other payables and accrued expenses	**1,003,074**	915,292	**806,809**	747,221
	1,493,000	1,302,970	**1,105,165**	1,091,120

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 CURRENT TAX ASSETS AND LIABILITIES

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

Carrying Value of Current Tax Asset/(Liability)

As at 31st March	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Opening balance	**(11,893)**	(65,010)	**(14,990)**	(23,004)
Acquired through business combination (Note 4.12.3)	**(1,914)**	-	**-**	-
Current tax for the year (Note 4.6)	**(166,761)**	(312,056)	**(89,577)**	(236,945)
	(180,568)	(377,066)	**(104,567)**	(259,949)
Tax paid during the year:				
Current tax, ESC and withholding tax	**270,777**	365,173	**223,077**	244,959
	270,777	365,173	**223,077**	244,959
Current tax asset/(liability)	**90,209**	(11,893)	**118,510**	(14,990)
Made up as follows:				
Current tax asset	**121,978**	6,393	**118,510**	-
Current tax liability	**(31,769)**	(18,286)	**-**	(14,990)
	90,209	(11,893)	**118,510**	(14,990)

4.30 AMOUNTS DUE (TO)/FROM SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEE

Name of the Company	DIMO (Private) Ltd	DIMO Industries (Pvt) Ltd	DIMO Travels (Pvt) Ltd	Plant Chem(Pvt) Ltd	Plant Seeds(Pvt) Ltd	DIMO Lanka Company Limited	United DIMO Lanka Company Limited	DIMO Coastline (Pvt) Ltd	As at 31.03.2018	As at 31.03.2017
Shareholding	100%	100%	100%	51%	51%	100%	70%	40%		
	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	(195,149)	79,142	177	-	-	-	-	-	(115,830)	(329,141)
Sale of goods and services	20,660	6,374	-	-	-	-	-	10,064	37,098	9,692
Purchase of goods and services	(16,428)	(3,492)	-	-	-	-	-	-	(19,920)	(38,528)
Expenses incurred on behalf of subsidiaries/ equity accounted investee	144,820	10,428	-	-	-	-	-	5,951	161,199	142,736
Fund transfers - net	(463,083)	(1,762)	115	-	-	-	-	(11,802)	(476,532)	97,782
Asset transfer	10,239	-	-	-	-	-	-	5,714	15,953	1,629
Exchange rate translation difference	-	-	-	-	-	-	-	(67)	(67)	-
Closing balance due (to)/from subsidiaries	(498,941)	90,690	292	-	-	-	-	9,860	(398,099)	(115,830)

4.30.1 Summary of Amounts Due (to)/from Subsidiaries and Equity-accounted investee comprise:

As at 31st March	Company 2018 Rs. '000	Company 2017 Rs. '000
Amounts due from subsidiaries	100,842	79,319
Amounts due to subsidiaries	(498,941)	(195,149)
Amounts due (to)/from subsidiaries	(398,099)	(115,830)

SECTION 5 - OTHER DISCLOSURES

This section provides information on related party disclosures and other disclosures required by Sri Lanka Accounting Standards.

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'.

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 2.2), 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. 17.3 million. (2016/17- Rs. 14.9 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 KMP.

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

No loans were granted to KMP of the Company.

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

For the year ended 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Short-term employment benefits	**421,731**	398,816	**412,871**	386,694
Post-employment benefits	**46,134**	71,635	**44,721**	69,775
Terminal benefits	**24,638**	-	**24,638**	-
Total compensation applicable to Key Management Personnel	**492,503**	470,451	**482,230**	456,469

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 to the Financial Statements.

5.1.1 (c) Transactions with Close Family Members of Key Management Personnel (KMP)

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

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

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 the Chairman or a Director of such entities are disclosed in 'Directors' Interests in Contracts' on page 144.

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 2018.

5.1.4 Transactions with Group Entities

The Company has carried out transactions with Group entities in the ordinary course of business. The details are set out in Note 203.

The Group has not recorded any impairment for receivables relating to amount owed by Group entities (2016/17 - Rs. Nil).

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. 874.7 million (2016/17 - Rs. 894.2 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. Further, contingent liabilities are not recognised in Statement of Financial Position but are disclosed unless its occurrence is remote.

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.

Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2018 amounted to Rs. 3.75 million (2016/17 - Rs. 30.3 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.

Commitments for obligations under finance leases

The Group has commitments for obligations under finance leases as disclosed in Note 4.22.3.

Guarantees

The contingent liabilities as at 31st March 2018 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 1,278.9 million (2016/17 - Rs. 1,326.3 million).

Income tax assessments

Assessment was received for the year of assessment 2010/2011 in December 2013 based on normal tax rates. Appeal was lodged against the tax assessed by the Department of Inland Revenue and the Company is currently with the Tax Appeals Commission.

With the advice of tax consultants and based on the information available, the Company is of the view that there is no basis for company to be made liable. Accordingly no provision has been made in the financial statements and contingent liability there on as at 31st March 2018 is estimated to be Rs. 124.7 million (2016/17 – Rs. 233.4 million.

5.3 OPERATING LEASE

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

The Group has leased a number of branches and office premises under operating leases. These leases have an average life of between five to ten years. Lease agreements include clauses to enable upward revision of the rental payments on a periodic basis to recent market conditions. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

As at 31st March	Group		Company	
	2018	2017	**2018**	2017
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Within one year	**106,130**	84,282	**83,343**	61,895
Between one to five years	**285,281**	208,275	**249,661**	149,867
Over five years	**200,970**	104,732	**200,970**	104,732
Total operating lease commitments	**592,381**	397,289	**533,974**	316,494

5.4 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustments to or disclosure in the Financial Statements except described below;

National fertiliser secretariat of Ministry of Agriculture has issued a circular to all fertiliser companies with instruction to issue fertiliser stocks with a ceiling price. It is expected, as per circular, fertiliser stock as at 6th April 2018 and all subsequent imports will be entitled to a government subsidy.

In accordance with LKAS 10, Events after the reporting period, the government subsidy receivable and impact on sales has not been recognised in the financial statements as at 31 March 2018.

CHANGE IS PERCEPTIVE

SUPPLEMENTARY INFORMATION

This section includes information complementary to the main body of the report.

SHARE INFORMATION

1 STOCK EXCHANGE LISTING

The issued ordinary shares of Diesel & Motor Engineering PLC are listed at the Colombo Stock Exchange of Sri Lanka.

2 SHAREHOLDERS

The number of Ordinary Shareholders as at 31st March 2018 was 1,858 (1,832 as at 31st March 2017).

	Resident			Non Resident			Total		
No of Shares Held	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%	No of Share holders	Total No of Shares	%
1 - 1,000	1,599	173,065	1.95	26	8,527	0.10	1,625	181,592	2.05
1,001 - 10,000	170	491,611	5.54	5	19,022	0.21	175	510,633	5.75
10,001 - 100,000	42	1,104,162	12.44			0.00	42	1,104,162	12.44
100,001 - 1,000,000	15	5,314,790	59.88			0.00	15	5,314,790	59.88
1,000,001 and over	1	1,765,260	19.89			0.00	1	1,765,260	19.89
Total	1,827	8,848,888	99.69	31	27,549	0.31	1,858	8,876,437	100.00

	31st March 2018			31st March 2017		
No of Shares Held	No. of Share holders	No. of shares	%	No. of Share holders	No. of shares	%
Individuals	1,775	5,522,488	62.22	1,747	5,533,193	62.34
Institutions	83	3,353,949	37.78	85	3,343,244	37.66
Total	1,858	8,876,437	100.00	1,832	8,876,437	100

3 MARKET VALUE OF SHARES

The Market value of an ordinary share of Diesel & Motor Engineering PLC (based on the Volume Weighted Average Price),as at 31st March 2018 was Rs.464.90 (Rs. 559.90 as at 31st March 2017).

4 DIVIDEND PAYMENT

	2017/18 Rs.mn	2016/17 Rs.mn
Interim dividend - Rs.20.00 per share (Rs.24.00 per share-2016/17)	**177,528,740**	213,034,488

5 SHARE TRADING INFORMATION

	Year Ended 31st March 2018		Year Ended 31st March 2017	
Highest (Rs.)	**639.00**	**17-May-17**	790.00	18-May-16
Lowest (Rs.)	**462.00**	**28-Mar-18**	542.00	28-Mar-17
Closing (Rs.)	**464.90**	**29-Mar-18**	559.90	31-Mar-17
No. of transactions	**1,316**		1,620	
No. of shares traded	**103,629**		340,293	
Value of shares traded (Rs.)	**7,609,462**		224,075,773	

6 PUBLIC SHAREHOLDING

As at 31st March	**2018**	2017
Public Holding %	**53.18**	46.54
Number of Public shareholders	**1,846**	1,753
Float adjusted market capitalisation	**LKR 2,194,740,831**	-

The Company is in compliance of Option 5 of the CSE Listing Rule 7.13.1 (a)

APPENDIX I
SHARE INFORMATION

7 SHARE ISSUES AND BUY-BACKS FOR PAST TWENTY YEARS

Year	Issue	No. of Shares	Price
2011/12	Scrip (one share per every fifty shares held)	174,048	Rs. 1,395.00
2008/09	Share Buy back	(3,397,611)	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

8 CHANGES IN SHAREHOLDINGS OF DIRECTORS AND THEIR SPOUSES DURING 2017/2018

Name	Shareholding %	As at 31.03.2018 Shares	Movement of Shares	As at 31.03.2017 Shares
Mr A R Pandithage	21.74	1,929,735	-	1,929,735
Mr S C Algama	6.48	574,779	-	574,779
Mr A G Pandithage	6.43	570,862	-	570,862
Mr A N Algama	2.41	213,739	-	213,739
Mr A M Pandithage	2.53	224,172	-	224,172
Mr M V Bandara	0.02	1,882	-	1,882
	39.58	3,515,169	0	3,515,169

9 TOP TWENTY SHAREHOLDERS

Name	As At 31St March 2018		As At 31St March 2017	
	Shares	**%**	**Shares**	**%**
Employees Provident Fund	**1,765,260**	**19.89**	1,765,260	19.89
Mr. A R Pandithage	**991,233**	**11.17**	991,233	11.17
Mrs. J C Pandithage	**938,502**	**10.57**	938,502	10.57
A & G Investments Pvt Limited	**640,380**	**7.21**	630,844	7.11
Mr. S C Algama	**567,786**	**6.40**	567,786	6.40
Mr. A G Pandithage	**525,814**	**5.92**	525,814	5.92
Almar Trading Co (Pvt) Ltd	**279,945**	**3.15**	310,875	3.50
Mr. A N Algama	**213,739**	**2.41**	213,739	2.41
Mr. T G H Peries	**193,069**	**2.18**	193,069	2.18
Mr. A M Pandithage	**182,319**	**2.05**	182,319	2.05
Dr D. Jayanntha	**160,000**	**1.80**	160,000	1.80
Miss T.R.N.C Peries	**148,009**	**1.67**	148,009	1.67
Mr. L P Algama	**134,569**	**1.52**	134,569	1.52
Estate of the Late Mr. N.U. Algama	**118,845**	**1.34**	118,845	1.34
Deutsche Bank Ag As Trustee For Jb Vantage Value E	**110,697**	**1.25**	123,733	1.39
United Motors Lanka PLC	**109,883**	**1.24**	109,883	1.24
Bank of Ceylon	**77,935**	**0.88**	77,935	0.88
Almar International (PVT)Ltd	**62,861**	**0.71**	62,810	0.71
Indira Siromani	**46,000**	**0.52**	46,000	0.52
Harsha Semage	**45,048**	**0.51**	45,048	0.51
	7,311,894	**82.37**	7,346,273	82.76

10 THE STATED CAPITAL REPRESENTS 8,876,437 ORDINARY SHARES.

APPENDIX II

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
GRI 102:General Disclosures 2016					
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	102-2 Activities, brands, products, and services	92-111			
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	102-8 Information on employees and other workers	78, http://www.dimolanka.com/sustainability-performance/			
	102-9 Supply chain	75-77, 92-111, 31			
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	102-11 Precautionary Principle or approach	8,14,114-115			
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	102-14 Statement from senior decision-maker	8-11 & 12-15			
	102-15 Key impacts, risks, and opportunities	8-11 ,12-15,92-111,132-138			
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	102-29 Identifying and managing economic, environmental, and social impacts	http://www.dimolanka.com/stewardship/			
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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
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	102-33 Communicating critical concerns	http://www.dimolanka.com/sustainability-performance/			
	102-34 Nature and total number of critical concerns	http://www.dimolanka.com/sustainability-performance/			
	102-35 Remuneration policies			Confidentiality Constraints	Not disclosure due to confidentiality of the data
	102-36 Process for determining remuneration	http://www.dimolanka.com/stewardship/			
	102-37 Stakeholders involvement in remuneration			Confidentiality Constraints	Not disclosure due to confidentiality of the data
	102-38 Annual total compensation ratio			Confidentiality Constraints	Not disclosure due to confidentiality of the data
	102-39 Percentage increase in annual total compensation ratio			Confidentiality Constraints	Not disclosure due to confidentiality of the data
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GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	126-131			
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	75-77, http://www.dimolanka.com/sustainability-performance/			
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	103-3 Evaluation of the management approach	75-77, http://www.dimolanka.com/sustainability-performance/ page 14			
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	103-3 Evaluation of the management approach	89-90 & http://www.dimolanka.com/sustainability-performance/			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	89-90 & http://www.dimolanka.com/sustainability-performance/			
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GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Emissions					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	122-124, http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	122-124, http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	122-124, http://www.dimolanka.com/sustainability-performance/			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	122-124, http://www.dimolanka.com/sustainability-performance/			
	305-2 Energy indirect (Scope 2) GHG emissions	122-124, http://www.dimolanka.com/sustainability-performance/			
	305-3 Other indirect (Scope 3) GHG emissions	122-124, http://www.dimolanka.com/sustainability-performance/			
	305-4 GHG emissions intensity	122-124, http://www.dimolanka.com/sustainability-performance/			
	305-5 Reduction of GHG emissions	123			
	305-6 Emissions of ozone-depleting substances (ODS)	http://www.dimolanka.com/sustainability-performance/			
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	http://www.dimolanka.com/sustainability-performance/			
Effluents and Waste					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	113,121-122, http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	113,121-122, http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	113,121-122, http://www.dimolanka.com/sustainability-performance/			
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	122-124, http://www.dimolanka.com/sustainability-performance/			
	306-2 Waste by type and disposal method	122-124, http://www.dimolanka.com/sustainability-performance/			
	306-3 Significant spills		Not applicable		
	306-4 Transport of hazardous waste		Not applicable		
	306-5 Water bodies affected by water discharges and/or runoff	http://www.dimolanka.com/sustainability-performance/			
Environmental Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	113,121,122,126			
	103-2 The management approach and its components	113,121,122,126			
	103-3 Evaluation of the management approach	113,121,122,126			
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	http://www.dimolanka.com/sustainability-performance/			
GRI 400 Social Standards Series					
Employment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	78-82, http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	78-82, http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	78-82, http://www.dimolanka.com/sustainability-performance/			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	62, http://www.dimolanka.com/sustainability-performance/			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	http://www.dimolanka.com/sustainability-performance/			
	401-3 Parental leave	http://www.dimolanka.com/sustainability-performance/			
Labour/Management Relations					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	78-82, http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	78-82, http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	78-82, http://www.dimolanka.com/sustainability-performance/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	http://www.dimolanka.com/sustainability-performance/			
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	78-82, http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	78-82, http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	78-82, http://www.dimolanka.com/sustainability-performance/			
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	82 & http://www.dimolanka.com/sustainability-performance/			
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	82 & http://www.dimolanka.com/sustainability-performance/			
	403-3 Workers with high incidence or high risk of diseases related to their occupation	82 & http://www.dimolanka.com/sustainability-performance/			
	403-4 Health and safety topics covered in formal agreements with trade unions	http://www.dimolanka.com/sustainability-performance/			
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	79-80 & http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	79-80 & http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	79-80 & http://www.dimolanka.com/sustainability-performance/			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	79-80 & http://www.dimolanka.com/sustainability-performance/			
	404-2 Programs for upgrading employee skills and transition assistance programs	79-80, 84 & http://www.dimolanka.com/sustainability-performance/			
	404-3 Percentage of employees receiving regular performance and career development reviews	79-80			
Non-discrimination					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance/			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	http://www.dimolanka.com/sustainability-performance/			
Human Rights Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance/			
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	http://www.dimolanka.com/sustainability-performance/			
	412-2 Employee training on human rights policies or procedures	http://www.dimolanka.com/sustainability-performance/			
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	http://www.dimolanka.com/sustainability-performance/			
Local Communities					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance/			

APPENDIX II
GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	http://www.dimolanka.com/sustainability-performance/			
	413-2 Operations with significant actual and potential negative impacts on local communities	http://www.dimolanka.com/sustainability-performance/			
Customer Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	72, 74 & http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	72, 74 & http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	72, 74 & http://www.dimolanka.com/sustainability-performance/			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	72, 74 & http://www.dimolanka.com/sustainability-performance/			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	72, 74 & http://www.dimolanka.com/sustainability-performance/			
Marketing and Labelling					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	72-73 http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	72-73 http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	72-73 http://www.dimolanka.com/sustainability-performance/			
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	72-73 http://www.dimolanka.com/sustainability-performance/			
	417-2 Incidents of non-compliance concerning product and service information and labelling	72-73 http://www.dimolanka.com/sustainability-performance/			
	417-3 Incidents of non-compliance concerning marketing communications	72-73 http://www.dimolanka.com/sustainability-performance/			
Customer Privacy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	72-73 http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	72-73 http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	72-73 http://www.dimolanka.com/sustainability-performance/			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	72-73 http://www.dimolanka.com/sustainability-performance/			
Socioeconomic Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	126-131 & http://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	126-131 & http://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	126-131 & http://www.dimolanka.com/sustainability-performance/			
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	126-131 & http://www.dimolanka.com/sustainability-performance/			

APPENDIX III

INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

DNV·GL

SCOPE AND APPROACH

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of Diesel and Motor Engineering PLC ('DIMO' or 'the Company') to carry out an independent assurance engagement for the non-financial - qualitative and quantitative information (sustainability performance) reported in DIMO Integrated Annual Report 2017-18 ('the Report') in its printed format and the Company's website, for the financial year ending 31st March 2018. The sustainability disclosures in this Report have been prepared while considering the key requirements of the International Integrated Reporting Council's (IIRC's) <IR> Framework and the 'Comprehensive' option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards').

We performed our verification (Type 2, Moderate level) activities based on AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) and DNV GL's assurance methodology VeriSustain™ [1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI Guidelines. Our assurance engagement was planned and carried out in May 2018.

The intended user of this assurance statement is the Management of DIMO. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement.

The reporting Topic Boundaries of sustainability performance are based on internal and external materiality assessment carried out by the Company and covers DIMO's operations in Sri Lanka. The Report include limited non-financial data and information related to the activities of PlantChem (Private) Limited, PlantSeeds (Private) Limited, DIMO Lanka Company Limited and United DIMO Lanka Company Limited which are new acquisitions/ investments made in the last quarter of the financial year, and DIMO Coastline (Pvt) Ltd over which DIMO does not exercise significant management control. This is as set out in the Report in the section 'Report Boundaries'.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

RESPONSIBILITIES OF THE MANAGEMENT OF DIMO AND OF THE ASSURANCE PROVIDERS

The Management of DIMO has the sole responsibility for the preparation of the Report and are responsible for all information disclosed in the Report as well as the processes for collecting, analysing and reporting the information presented in the printed and web-based versions of the Report, including the maintenance and integrity of the website. In performing this assurance work, DNV GL's responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL provides a range of other services to DIMO, none of which in our opinion, constitute a conflict of interest with this assurance work.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

BASIS OF OUR OPINION

As part of the assurance a multi-disciplinary team of sustainability and assurance specialists performed work at DIMO's Head Office, and we visited sample operations in Sri Lanka at Colombo, Weliweriya and Anuradhapura. We undertook the following activities:

- Review of DIMO's approach to stakeholder engagement and materiality determination process and the outcome as reported in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues disclosed in the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Site visits to sample operations of the Group: (i) DIMO Logistics Center, Weliweriya (ii) DIMO Lanka - Anuradhapura Branch, and (iii) DIMO 800 Mercedes-Benz Centre - to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting assessments;
- Review of supporting evidence for key claims and data in the Report;
- Review of the processes for gathering and consolidating the specified performance data related to identified material topics and, for a sample, checking the data consolidation in context to the Principle of Completeness as per VeriSustain.
- An independent assessment of DIMO's reporting against the GRI Standards and the reporting requirements for the GRI Standards: Comprehensive option of reporting.

During the assurance process, we did not come across limitations to the scope of the agreed

[1] The VeriSustain protocol is available on www.dnvgl.com

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

assurance engagement. The reported data on economic performance, and other financial data are based on audited financial statements issued by the Company's statutory auditors.

OPINION

On the basis of the verification undertaken, nothing has come to our attention to suggest that the Report does not properly describe DIMO's adherence to the GRI Standards: Comprehensive option of reporting including the GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016 and disclosures related to the following GRI Standards which have been chosen by DIMO to bring out its performance against its identified material topics:

Economic

- GRI 201: Economic Performance 2016 – 201-1, 201-2, 201-3, 201-4;
- GRI 203: Indirect Economic Impacts 2016 – 203-1, 203-2;
- GRI 204: Procurement Practices 2016 – 204-1;

Environmental

- GRI 301: Materials 2016 – 301-1, 301-3;
- GRI 302: Energy 2016 – 302-1, 302-2, 302-3, 302-4;
- GRI 303: Water 2016 – 303-1, 303-2, 303-3;
- GRI 305: Emissions 2016 – 305-1, 305-2, 305-5, 305-7;
- GRI 306: Effluents and Waste 2016 – 306-1, 306-2, 306-3, 306-4, 306-5;
- GRI 307: Environmental Compliance 2016 – 307-1;

Social

- GRI 401: Employment 2016 – 401-1, 401-2, 401-3;
- GRI 402: Labour/Management Relations 2016 – 402-1;
- GRI 403: Occupational Health and Safety 2016 – 403-1, 403-3, 403-4;
- GRI 404: Training and Education 2016 – 404-1, 404-2, 404-3;
- GRI 406: Non-discrimination 2016 – 406-1;
- GRI 412: Human Rights Assessment 2016 - 412-1, 412-2, 412-3;
- GRI 413: Local Communities 2016 – 413-1, 413-2;
- GRI 416: Customer Health and Safety 2016 – 416-1, 416-2;
- GRI 417: Marketing and Labelling 2016 – 417-1, 417-3;
- GRI 418: Customer Privacy 2016 – 418-1;
- GRI 419: Socioeconomic Compliance 2016 – 419-1.

The Report brings out omission/partial reporting of the performance indicators (301-2, 403-2) with a commitment to reporting them in the future.

OBSERVATIONS

Without affecting our assurance opinion, we provide the following observations evaluating the Report's adherence to the AA1000AS principles:

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

DIMO has identified material topics to bring out in its Report on the basis of a stakeholder engagement process, topics identified by the Board and General Management Committee, and inputs from the Group's risk management process. The Company has also reviewed the process of materiality determination to account for significant changes in its value creation model.

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Company's Sustainability Committee and senior management monitors the various formal and informal processes in place for stakeholder engagement, and ensures that responses are formulated via appropriate strategies and plans towards value creation. The Group Management Committee and Board are involved in assessing key concerns raised by stakeholders through these engagement mechanisms.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report shows how DIMO monitors and provides feedback based on key concerns, expectations and issues raised by its stakeholders such as shareholders, customers, business partners/suppliers, society, and employees. Policies, strategies, management systems and governance mechanisms that the Company has established to respond to topics identified as material are adequately represented in the Report. The performance on sustainability-related objectives – which include short, medium and long term targets linked to identified material topics – are brought out in the Report.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified at Head Office and at operational sites visited by us were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected.

DNV·GL

Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and the process for gathering information developed by DIMO for its sustainability performance reporting to be appropriate. The qualitative and quantitative data included in the Report were found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data and its reliability. Nothing has come to our attention that has proved to us that information provided was inconsistent, inaccurate and unreliable. We observed that the Report presents a faithful description of the disclosures on sustainability performance for the reporting period.

Additional principles as per DNV GL VeriSustain

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported?

The Report generally meets the Principle of Completeness with respect to scope, boundary and time. DIMO's business model and value creation strategies across its identified capitals is adequately brought out within the Report in line with key requirements of the <IR> framework. The Report has adequately captured disclosures on DIMO's economic, environmental and social performance related to its material topics through selected GRI Standards.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The disclosures related to sustainability performance and issues are presented in a neutral tone, in terms of content and presentation, along with key concerns and challenges faced during the period.

OPPORTUNITIES FOR IMPROVEMENT

The following is an excerpt from the observations and further opportunities for improvement reported to the management and are not considered for drawing our conclusion on the Report; however, they are generally consistent with the Management's objectives:

- Internal management systems related to sustainability aspects and the reliability of reported sustainability data may be reinforced by linking distinct references to GRI Standard requirements and by implementing quality assurance systems for data measurement and recording.
- DIMO may strengthen the awareness levels on material topics for key personnel across its various geographies and businesses, through frequent awareness and engagement sessions.

For DNV GL

Rathika de Silva
Country Head
DNV GL Business Assurance Lanka (Private) Limited, Colombo, Sri Lanka

Kiran Radhakrishnan
Lead verifier - Sustainability Services
DNV GL Business Assurance India Private Limited, India.

Prasun Kundu
Assurance Reviewer
Global Service Responsible - Social Accountability
DNV GL Business Assurance India Private Limited, India.

1st June, 2018, Colombo, Sri Lanka.

AA1000
Licensed Assurance Provider
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DNV GL Business Assurance Lanka (Private) Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com

APPENDIX IV

TEN YEAR SUMMARY

Year Ended 31st March	2017/18 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000	2010/11 Rs.'000	2009/10 Rs.'000	2008/09 Rs.'000
Operating Results										
Revenue	**43,686,158**	44,492,990	37,749,750	28,037,376	20,884,674	27,711,604	39,862,943	29,357,271	10,530,587	9,187,966
Profit before taxation	**747,606**	1,043,392	1,380,059	847,033	512,858	490,021	3,724,521	3,395,980	420,095	175,082
Income tax	**(193,391)**	(386,601)	(433,453)	(250,950)	(119,317)	(27,871)	(1,022,870)	(1,274,228)	(141,842)	(72,054)
Profit for the year	**554,215**	656,791	946,606	596,083	393,541	462,150	2,701,651	2,121,752	278,253	103,028
Profit attributable to Owners of the Company	**550,308**	656,791	946,606	596,083	393,541	462,150	2,701,651	2,121,752	278,253	103,028
Capital Employed										
Stated capital	**425,297**	425,297	425,297	425,297	425,297	425,297	425,297	182,500	182,500	182,500
Other components of equity	**4,050,962**	2,839,898	2,839,356	2,838,894	2,018,475	2,014,752	2,014,752	1,135,612	1,135,612	1,135,612
Revenue reserves	**7,299,899**	6,899,747	6,725,026	5,973,747	5,473,721	5,191,118	5,000,566	2,882,735	882,816	686,733
Non-controlling interests	**304,203**	-	-	-	-	-	-	-	-	-
Total equity	**12,080,361**	10,164,942	9,989,679	9,237,938	7,917,493	7,631,167	7,440,615	4,200,847	2,200,928	2,004,845
Total borrowings	**9,188,923**	8,382,217	6,484,996	5,253,838	5,950,126	3,417,800	5,045,829	3,068,466	1,966,600	2,709,671
Total capital employed	**21,269,284**	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528	4,714,516
Assets Employed										
Non- current assets	**11,681,165**	8,357,266	7,982,821	8,039,357	6,937,410	5,719,010	4,763,435	3,099,509	2,149,406	2,234,911
Current assets	**16,891,197**	14,402,152	12,349,823	9,910,853	9,157,244	7,183,369	10,536,783	7,839,972	3,389,023	3,028,263
Total liabilities (excluding borrowings)	**(7,303,078)**	(4,212,259)	(3,857,969)	(3,458,434)	(2,227,035)	(1,851,412)	(2,813,774)	(3,670,168)	(1,370,901)	(548,658)
Total assets employed	**21,269,284**	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528	4,714,516
Cash Flow										
Net cash from/(used in) operating activities	**463,058**	(654,758)	(836,816)	648,049	(726,849)	3,207,700	(2,430,074)	1,793,848	846,833	625,652
Net cash from/(used in) investing activities	**(1,113,776)**	(684,812)	(223,129)	(677,408)	(1,361,283)	(970,581)	(788,829)	(937,710)	(24,275)	1,918
Net cash from/(used in) financing activities	**(486,993)**	(847,598)	(495,191)	(340,735)	975,156	(474,062)	277,902	(377,658)	(295,885)	(416,861)
Net increase/(decrease) in cash and cash equivalents	**(1,137,711)**	(2,187,168)	(1,555,136)	(370,094)	(1,112,976)	1,763,057	(2,941,001)	478,480	526,673	210,709
Key Indicators										
Earnings per share (Rs.)	**62.00**	73.99	106.64	67.15	44.34	51.16	304.36	239.03	27.97	9.36
Net assets per share (Rs.)	**1,326.68**	1,145.16	1,125.42	1040.73	891.97	859.71	838.24	473.26	252.92	230.39
Market value per share (Rs.)	**464.90**	559.90	549.70	630.00	505.00	505.00	982.20	1,484.70	394.25	60.25
Dividend per share (Rs.)	**20.00**	24.00	27.00	20.00	10.00	10.00	40.00	61.00	7.00	3.00
Dividends approved/ Paid (Rs.'000)	**177,529**	213,034	239,664	177,529	88,764	88,764	244,102	443,822	34,810	26,107
Annual sales growth (%)	**(1.81)**	17.86	34.64	34.25	24.64	(30.48)	35.91	178.78	14.61	(27.58)
Equity to total assets ratio (%)	**41.22**	44.66	49.13	51.46	49.19	59.15	48.63	38.40	39.78	38.09
Dividends cover (no. of times)	**3.10**	3.08	3.95	3.36	4.43	5.11	7.61	4.00	3.11	2.34
Price earnings ratio (no. of times)	**7.50**	7.57	5.15	9.38	11.39	9.70	3.23	6.21	14.89	6.44
Current ratio (no. of times)	**1.24**	1.30	1.47	1.45	1.50	1.71	1.60	1.27	1.20	1.31
Turnover to capital employed (no. of times)	**2.05**	2.40	2.29	1.93	1.51	2.51	3.19	4.04	2.53	1.95
Interest Cover (no. of times)	**1.71**	2.22	3.93	3.00	2.42	2.42	15.67	17.35	2.20	1.31
Average no. of employees	**1788**	1,649	1,554	1,524	1,518	1,433	1,179	942	867	869

GLOSSARY

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accolades
Awards and privileges granted as a special honour or as an acknowledgement of merit.

Accrual Basis
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Actuarial Gain/Loss on defined benefit plan
Gain or loss arising from the difference between estimates and actual experience in an entity's defined benefit plan.

Amortised Cost
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

Apprenticeship
Method in which trainees learn a skill or trade by hands-on experience while working with a skilled worker.

Asset Turnover
The amount of sales generated for every rupee worth of assets. It is calculated by dividing sales by assets.

AWPR
Average Weighted Prime Lending Rate as published by the Central Bank of Sri Lanka.

Basis Point (bp)
One-hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Cash Equivalents
Short –term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CFC
Chlorofluorocarbon - a class of compounds harmful to the ozone layer.

CFL
Compact fluorescent lamp. An energy-saving lamp.

CGUs
The smallest group of assets that independently generates cash flow and the cash flow is largely independent of the cash flows generated by other assets.

Chemical Oxygen Demand
A measure of the capacity of water to consume oxygen during the decomposition of organic matter and the oxidation of inorganic chemicals.

Consolidate Financial Statements
Consolidated Financial Statements are the financial statements of a Group in which assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Credit Rating
An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Current Ratio
Total current assets divided by total current liabilities.

Debt to Equity Ratio
Debt as a percentage of shareholders' funds.

Deferred Taxation
Sum set aside for income tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Degradation
The process in which the status or quality of something is destroyed or spoiled.

Direct Employment
The workers employed by the company.

Discount Rate
A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover
Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend Payout Ratio
The percentage of earnings paid to shareholders in dividends.

Dust Extractors
A system used to enhance the quality of air released from industrial and commercial processes by collecting dust and other impurities from air or gas.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate
Provision for taxation expressed as a percentage of the profit before taxation.

Emissions
Emission of fumes, dust & ozone depleting gases to the atmosphere.

Energy Intensity
Total energy consumed by the Group divided by the number of full time employees of the Group as at the year-end.

Equity
Shareholders' funds.

APPENDIX V
GLOSSARY

Ethical
Relating to moral principles.

E-Waste
Electronic waste, especially mobile phones, televisions and personal computers.

Exhaust Gas
Gases ejected from an engine as waste products.

Fair Value
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.

Financial Instrument
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Leverages
A measure of how an entity used its debt capital to finance its assets, calculated as total assets divided by total shareholders' equity.

Grey Water
Wastewater composed of wash water from workshops, kitchen and bathroom.

Groundwater
Water found below the surface.

Hazardous Waste
Waste that cannot be handled by routine waste management methods because of its biological, chemical or physical properties that may pose a danger to living organisms, materials, structures or the environment.

Human Rights
A right which is believed to belong to every person.

Incineration
The destruction of something, especially waste material, by burning.

Infrastructure
The basic physical and organizational structures and facilities needed for the operation of a society or enterprise.

Interest Cover
A ratio showing the number of times interest charges is covered by earnings before interest and tax.

LED
Light Emitting Diode used as energy-efficient lighting.

Loan to Value Ratio
Financial term used by lenders to express the ratio of a loan to the value of an asset purchased.

Market Capitalisation
The value of a company obtained by multiplying the number of ordinary shares in issue by the market value as at a date.

Net Assets
Total assets minus long term and current liabilities.

Net Assets Per Share
Net assets at the year-end divided by the number of shares in issue.

Net Profit Ratio
Profit after tax attributable to equity holders of the parent divided by total revenue.

Non-controlling Interest
Equity in a subsidiary not attributable, directly or indirectly, to a parent.

Organic Waste
Bio-degradable waste.

Particles
A minute portion of matter.

PH Level
Level of potential of hydrogen which is used to measure acidity or alkalinity of water soluble substances.

Price Earnings Ratio
Market price of a share divided by the earnings per share.

Quick Assets Ratio
Total current assets minus inventories, divided by current liabilities.

Recycle
The process of converting waste into reusable material.

Revenue Reserves
Reserves set aside for future distributions and investments.

Risk Appetite
The amount and type of risk that an organisation is willing to take in order to meet their strategic objectives.

Risk Management
The identification, analysis, assessment, control, and avoidance, minimization, or elimination of unacceptable risks.

Stewardship
The role of supervising or taking care of the organisation.

Storm Water
Surface water in abnormal quantity resulting from heavy falls of rain.

Toxic
Poisonous.

Water Consumption
Usage of water by means of municipal supply, ground water or rain water harvesting.

Working Capital
Total current assets minus current liabilities.

Workshops
Locations that carry out the activity of servicing, repair, tinkering painting and washing of vehicles.

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,
+94-11- 2338883
www.dimolanka.com
E-mail: dimo@dimolanka.com
Facsimile: +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 9th 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,
P.O. Box 186,
No 32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3, Sri Lanka.

Lawyers

Julius & Creasy
Attorneys-at-law & Notaries Public
P.O. Box 154,
No 41, Janadhipathi Mawatha
Colombo 01
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

Company Secretary

B.C.S.A.P. Gooneratne, F.C.A., M.B.A. (Sri J.)

Company Registrars

Jacey and Company
No.9/5, Thambiah Avenue
Off Independence Avenue
Colombo 07
Sri Lanka

NOTICE OF MEETING

NOTICE is hereby given that the Seventy Third Annual General Meeting of DIESEL & MOTOR ENGINEERING PLC will be held at the registered office of the Company, No. 65, Jetawana Road, Colombo 14, on Thursday, 28th June, 2018 at 8.30 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2018, together with the Reports of the Directors' and Auditors' thereon.

2. Directors

   i. to re-elect Mr. Ajit Nimal Algama, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company at the Annual General Meeting

   ii. 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 at the Annual General Meeting

   iii. to re-elect Mr. Abeykumar Mohan Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company at the Annual General Meeting

   iv. to elect Mr. Asanga Nishamen Ranasinghe, Director, who retires in terms of Article 71 of the Articles of Association of the Company

   v. to re - appoint Mr. Asoka Ranjith Pandithage, as a Director, who is 70 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 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 70 years of age 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. 7 of 2007 shall not apply to the said Mr. Asoka Ranjith Pandithage"

   vi. to re - appoint Mr. Ranjeevan Seevaratnam, as a Director, who is 74 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 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. Ranjeevan Seevaratnam, who is 74 years of age 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. 7 of 2007 shall not apply to the said Mr. Ranjeevan Seevaratnam"

3. To re-appoint the retiring Auditors M/s 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.

The profiles of the Directors proposed for re-election are given on pages 22 to 25 of the Annual Report.

Notes:

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.

A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of Jacey and Company, Registrars to Diesel & Motor Engineering PLC , 9/5, Thambiah Avenue, Colombo 07 not less than forty eight (48) hours before the time fixed for the meeting.

By Order of the Board,

Diesel & Motor Engineering PLC

Company Registration No. PQ-146

B.C.S.A.P. Gooneratne

Secretary

Colombo

30th May 2018

FORM OF PROXY

I/We the undersigned ……

of……

being a shareholder/shareholders of DIESEL & MOTOR ENGINEERING PLC, hereby appoint ……………………………………………………

of……

……………………………………… Holder of NIC No. ……………………………………… whom failing,

Mr. Asoka Ranjith Pandithage	whom failing
Mr. Aruna Gahanath Pandithage	whom failing
Mr. Ajit Nimal Algama	whom failing
Mr. Sarath Chandrasiri Algama	whom failing
Mr. Mudiyanselage Vijitha Bandara	whom failing
Dr. Harsha Cabral	whom failing
Mr. Bodiyabaduge Charindra Suresh Alexius Perera Gooneratne	whom failing
Mr. Pushpawela Kankanamge Wijith Mahendra	whom failing
Mr. Abeykumar Mohan Pandithage	whom failing
Mr. Sri Rama Waidayasekera Mudiyanselage Chaminda Ranawana	whom failing
Mr. Asanga Nishamen Ranasinghe	whom failing
Mr. Ranjeevan Seevaratnam	whom failing
Mr. Asite Drupath Bandara Talwatte	whom failing

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 SEVENTY THIRD ANNUAL GENERAL MEETING of the Company to be held on THURSDAY, 28th June, 2018 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 Audited Financial Statements for the Year Ended 31st March, 2018, the Report of the Auditors and the Annual Report of the Board for the said year.	❑	❑
2. Directors		
i To re-elect Mr. Ajit Nimal Algama, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
ii 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.	❑	❑
iii To re-elect Mr. Abeykumar Mohan Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
iv To elect Mr. Asanga Nishaman Ranasinghe, Director, who retires in terms of Article 71 of the Articles of Association of the Company.	❑	❑
v To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is 70 Years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007, the Resolution pertaining to which re-appointment is set out in the Notice of Meeting of the Annual General Meeting.	❑	❑
vi To re-appoint as a Director Mr. Ranjeevan Seevaratnam, who is 74 Years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007, the Resolution pertaining to which re-appointment is set out in the Notice of Meeting of the Annual General Meeting.	❑	❑
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.	❑	❑

As witness my/our hand this ………………. day of ……………..…. Two Thousand and Eighteen.

…………………………………
Signature of Shareholder

**** Please delete as appropriate.***

Notes:

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.

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 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.

A Proxy holder need not be a member of the Company

Instructions as to completion appear on the reverse hereof.

Instruction as to Completion

1. To be valid this Form of Proxy must be deposited at the office of the Registrars to the Company, Jacey and Company, No. 9/5, Thambiah Avenue, Colombo 07 not less than 48 hours before the time appointed for the holding of the Meeting.

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 failing him, one of the Directors) 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 already registered with the Company.

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emagewise

Digital Plates & Printing by Softwave Printing and Publishing (Pvt) Ltd
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Diesel & Motor Engineering PLC

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