80 years of responsible value creation

THE ROAD LESS TRAVELLED

DIESEL & MOTOR ENGINEERING PLC

Annual Report 2018/19

DIMO LEGEND

1939
Four young men, Stephen Peries, Pandithage Don Alexander, Cyril Algama and Harold Algama establish a workshop at a rented premises off Prince Street in Panchikawatte, marking the humble beginning of DIMO, carrying the legacy of former Heller and Company.

1945
DIMO incorporated as a Private Limited Liability Company.

1949
DIMO goes into partnership with Mr. F. K. Heller, who earlier introduced great German brands such as Mercedes Benz, Bosch and Siemens.

1952
A new showroom, stores and workshop opens for business at Jethawana Road, Colombo 14.

1961
TATA Motors, India make its first overseas venture into Sri Lanka by partnering with DIMO.

1964
DIMO is converted into a Public Quoted Company by obtaining a listing at the Colombo Brokers' Association.

80 years of responsible value creation

1996

The Company relocates its after sales and service activities of commercial vehicles, construction machinery and power systems to an eight acre property at Siyambalape, Biyagama.

2005

The first fully fledged DIMO branch is opened in Matara.

2007

DIMO acquires a large warehouse complex at Weliveriya, which becomes the DIMO logistic centre.

This sixteen acre property has 177,075 square feet of storage space.

2014

DIMO 800 - Mercedes-Benz Sales & After-care Centre located at Sirimavo Bandaranaike Mawatha, Colombo 14 is opened.

2017

DIMO enters Myanmar to establish its first offshore subsidiary by investing in DIMO Lanka Company Limited.

2018

DIMO expands its footprint in agriculture by acquiring 51% of equity interest in PlantChem (Private) Limited and Plant Seed (private) Limited - the first acquisitions of the Group.

Two roads diverged in a wood and I - I took the one less traveled by,
and that has made all the difference.

Robert Frost

At DIMO we are proud to mark 80 years of business excellence by renewing our pledge to deliver outstanding products and services while ensuring that our business model will generate sustainable value for the future. We believe in continuous improvement, constantly pushing our limits and relentlessly pursuing perfection in everything we choose to do.

The company has always been aware of the need to stay relevant and be nimble in a fast- changing, competitive world. That's why we have been constantly evolving, re-engineering our processes, restructuring our businesses and redesigning our technologies; looking at how we think, what we do and how we affect the people and communities we partner.

80 years ago our founders were just starting out, taking the bold step of launching their own enterprise with few resources and less capital in hand. Yet their courage, perseverance and determination to succeed laid the foundations for what is now one of Sri Lanka's best known companies; one that transforms the lives of its many stakeholders through its global reach and local presence– bringing the best of the world to Sri Lankans, everywhere.

Looking back, we are very proud of what we have achieved in 80 years of business. Looking around us, we know that while we have a strong presence in the business sectors we operate, there remain many opportunities for growth and expansion yet to be discovered. And in looking to the future, we will follow the example of the four young men who started this company, who innovated, pioneered and blazed the trail that we now follow.

We too shall be daring and adventurous in spirit; always willing to take the road less travelled in our quest to find more opportunities to create sustainable value to all our shareholders and other stakeholders we serve.

CONTENTS

The HTML version of the Annual Report 2018/19 can be read at:
http://www.dimolanka.com/annual-reports/dimo2018ar/home.html

Supplementary information of the Annual Report 2018/19 can be read at:
http://www.dimolanka.com/sustainability-performance/

Code of Best Practices of Corporate Governance detail disclosure of the Annual Report 2018/19 can be read at:
http://www.dimolanka.com/stewardship/

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

BOARD OF DIRECTORS' STATEMENT ON THE NINTH INTEGRATED ANNUAL REPORT

The aim of this Integrated Annual Report is to enable our stakeholders, including investors, to make a more informed assessment of the value of Diesel and Motor Engineering PLC and its prospects. This Integrated Annual Report is structured around three aspects; how we are positioned to create value; an assessment of our performance; the aspects we consider to be most material to gear the future value creation of the Group.

This report has been prepared in accordance with the requirements of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange (CSE) and Sri Lanka Accounting Standards (LKASs / SLFRSs). Where applicable, the report also adheres to guidelines and protocols stated in International Integrated Reporting Framework V1.0 issued by International Integrated Reporting Council, and the Greenhouse Gas Protocol - Corporate Standard published by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD). This report has been prepared in accordance with the GRI Standards: Comprehensive option. Report also acts as a Communication on Progress (COP) for the United Nations Global Compact.

REPORTING SCOPE AND THE BOUNDARY

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 2019. Section 01 of the Consolidated Financial Statements of the Group, appearing from pages 106 to 164, provides information on the financial reporting boundary of the Group. Material risks, opportunities and outcomes arising from stakeholders and the external environment are also given due consideration in preparing this Integrated Annual Report. Risks, opportunities and outcomes related to the equity accounted investee (joint venture) are excluded from the scope of the integrated report unless they were determined material.

Information in this report pertaining to the previous year has not been restated, unless otherwise stated.

MATERIALITY

The Board has considered matters deemed material to the businesses of the Group and its stakeholders, and addressed issues that have significant direct short, medium and long-term impacts on the Group's ability to create value. The materiality determination process and matters identified as material are disclosed in this report from page 61 to 66 of this annual report.

WEB DISCLOSURES

The Group has complied with the Code of Best Practice on Corporate Governance 2017, issued by CA Sri Lanka. The level of compliance to the Code is available on the Company website.

The website also contains information supplementary to the Annual Report and such information also forms part of this annual report. Reference to such information is disclosed in the Annual Report under the relevant subject matters.

ASSURANCE

The Board has obtained an independent assurance on the consolidated financial statements from Independent External Auditors, Messrs KPMG, Chartered Accountants. The Independent Auditor's opinion on the Financial Statements is available in the Independent Auditor's Report on page 102 to 105. The non-financial information contained in this report was audited by DNV Business Assurance Lanka (Pvt) Ltd according to the AA1000 Assurance Standard. The Assurance Statement is available in the appendices from page 175 to 177.

Annual Report of the Board of Directors, Board of Directors' Statement on Internal Controls, Statement of Directors' Responsibilities for Financial Statements, and the Responsibility Statement of Chairman/Managing Director and Chief Executive Officer and Chief Financial Officer are also included in the report and may be read from page 94 to 97, page 99, Page 100 and Page 60 respectively.

ACKNOWLEDGEMENT

The board acknowledges that reasonable care has been taken in the preparation and presentation of this Integrated Annual Report to preserve its integrity 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 Officer

A.G. Pandithage
Director/Group Chief Executive

A. D. B. Talwatte
Chairman - Audit Committee

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

25th May 2019

The compliance levels with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka are available on Company's website at www.dimolanka.com/stewardship/ and forms a part of this Enterprise Governance Section.

WE HAVE ALWAYS CHOSEN THE ROAD LESS TRAVELLED AND IN MY VIEW, THIS PERIOD HAS BEEN THE MOST STEEP, BUMPY AND WINDY STRETCH IN OUR CONTEMPORARY HISTORY.

THE ROAD LESS TRAVELLED

A MESSAGE FROM THE CHAIRMAN MR. A. R. PANDITHAGE

Dear shareholder,

This year, I am addressing you, after what has been financially a trying period. The external factors influencing our business presented many unfriendly scenarios. On a positive note however, it was also a year that brought greater clarity to our strategic goals and related growth plans, with several specific steps being taken in that direction. I shall deal with these aspects later in this address.

We have always chosen the road less travelled and in my view, this period has been the most steep, bumpy and windy stretch in our contemporary history.

EXTERNAL FACTORS

Locally, the interest rates remained high with AWPLR closing the year at 12.23% (11.55% - 2017/18). The GDP growth rate for 2018 was 3.2% compared to 3.4% in 2017. Overall, we noted a lack of economic stimulus to back our business segments. The automobile sector witnessed heavy regulatory traffic on tariff, vehicle import permits, loan to value (LTV) ratio, emission norms and safety standards.

THE FINANCIAL RESULTS

The financial results were below anticipated targets with the profit before tax reduced to Rs. 104 million from Rs. 717 million in the previous year and earnings per share dipping to Rs. 5.78 per share (Rs. 58.50 – 2017/18). The main cause for this downturn was the adverse results of the automobile businesses. Interest costs also increased sharply due to financing a stock build up in commercial vehicles in order to smoothen the effects of a transition from the previous emission standards to a new regime.

TURBULENT YEAR FOR THE VEHICLE SALES BUSINESS

The external factors earlier mentioned and the depreciating rupee contributed to a considerable decrease in demand for commercial vehicles. Margin requirements and suspension of vehicle permits compounded the problem for passenger vehicles. All these factors pulled down the performance of the vehicle sales division and consequently the overall performance.

ELECTROMECHANICAL ENGINEERING BUSINESS

Advancing the electromechanical engineering business to a higher level is one of the strategies that we have adopted to reduce our dependence on the automobile business. We can already see these efforts come to fruition, with the relevant businesses gathering momentum. The successful joint bid for a CEB project with our principals, Siemens, our first venture in Myanmar in the power sector and our entry into Uganda could be considered as milestones in our growth phase. Overall, this segment is expected to make a significant contribution to the Group's profitability in the current financial year.

NEW SAFETY AND EMISSION STANDARDS

The imposition of new euro norms for vehicle emissions are already in place. Safety standards relating to Anti-lock Breaking System (ABS) and seat belts will come into effect from the next calendar year. Whilst we welcome all these changes, we strongly believe that suitable regulations on emissions and safety standards should apply to the large number of three wheelers and motor cycles. Tyre safety is another important aspect, as there are many vehicles that ply the roads with very high wear and tear on their tyres, posing a threat to public safety.

COUNTERING THE EFFECTS OF NEW REGULATIONS

The recent emission and safety requirements have brought in new demands on the configuration of commercial vehicles offered by the company and pricing. We are committed to working with our principals to continue to offer a competitive range of products in order to maintain and improve our position in the market.

WEATHER ON OUR SIDE

The weather patterns were in our favour during the year with most areas receiving adequate rain fall. The agriculture segment thus had the opportunity to perform well. This was after several years of inconsistent rain patterns which affected paddy and other cultivations. As a result, our subsidiaries engaged in seeds and agrochemicals produced favourable results. The positive effects were not felt in the fertiliser business due to import restrictions brought on by the return of a fertiliser quota system and subsidies.

DIVERSIFICATION IS KEY

Over the years, we have strongly pursued a strategy of diversification in order to reduce our dependence on the automobile sector. The prospects largely depend on tariffs, government policy and regulations. As a result of this endeavour, we have entered into a wide spectrum of businesses in agriculture and established ourselves in the Republic of Maldives. During the year, we further strengthened our operations in Myanmar by securing a vehicle dealership and a supply contract in the power engineering sector. The vehicle dealership will commence operations shortly. We will continue to seek more opportunities in our current areas of business in Myanmar.

EYES ON AGRI-BUSINESS

With a commitment to inspiring Sri Lankan lives, we are promoting the use of technology in agriculture. We will continue to focus on our agricultural inputs business with an eye on entering agricultural outputs and value-added products.

SUSTAINABILITY

We are resolute in continuing to promote sustainable development. From our statement of purpose to our code of ethics, we uphold our commitment to act responsibly towards our stakeholders which includes the environment. We will maximise the positive economic, environmental and societal impacts that we make during our business activities, whilst carefully managing negative impacts to the environment. Every effort will be made to address environmental and social needs that are outside our business boundaries, depending on affordability.

EMPLOYEES COME FIRST

The members of the DIMO tribe make our diversification, differentiation, and collaboration strategies work. Therefore, our focus is first directed at the employees. Our employee development strategies are directed at building competent and versatile human capital. Competent and engaged employees create value for stakeholders. I firmly believe that it is the “people” factor that makes the difference.

RE- ARTICULATING OUR MIND

Our eighty-year journey has shaped who we are today and what we stand for. As a tribe we take immense pride in our identity. Our endeavours will continue to revolve around responsible value creation and we would hope our stakeholders recognise this philosophy. Our recent stakeholder surveys indicated that it is time for us to take initiatives to reinforce this in the minds of our stakeholder. At present, we are looking at how best to clearly articulate our inner thinking regarding our aspiration, purpose, values and the standards of leadership.

DIGITAL PLAY

The digital landscape is revolutionising the way we live. This transformation is creating new opportunities; however, it is also creating doubts within corporates. We have seen examples of how digital initiatives have replaced business models and improved them. With this in mind, it has become necessary for us to seek digital opportunities whilst improving our domain literacy. We have already embarked on creating a digital cell in the company that will guide and shape our engagement in this sphere.

A GREAT PLACE TO WORK

I am pleased and excited to inform you that DIMO has been selected by the Great Place to Work Institute as one of the Best Workplaces in Asia 2019 in the category of Large Workplaces in Asia. This recognition is based on the results of a survey of Workplaces in Sri Lanka - 2018. The recognition demonstrates that DIMO is truly among the exclusive group of organisations that focus on creating and sustaining high-trust, high-integrity, and a high-performing culture for its people.

THE MILLENNIALS

I am always conscious about the challenges placed before us by our millennial employee. Their aspirations, work ethics, the employer-employee dialogue and employee value propositions. It places new demands on our human capital strategies. Considering millennials as prospective employees as well as customers, it is imperative that their needs and wants are given attention in strategy formulation. Understanding their mindset and embedding it into the culture of the organisation is a challenge that must be handled with foresight and commitment.

CONSIDERING MILLENNIALS AS PROSPECTIVE EMPLOYEES AS WELL AS CUSTOMERS, IT IS IMPERATIVE THAT THEIR NEEDS AND WANTS ARE GIVEN ATTENTION IN STRATEGY FORMULATION.

STRENGTHENING THE CORE

The year under review saw a few key members joining the management team. Mr. A.N. Ranasinghe who served as a Non- Executive Director joined the management team as an Executive Director responsible for marketing. Mr. V. Wickremaratne joined us as the Chief Operating Officer of our marketing and distribution operations and the agricultural equipment business. Both these gentlemen currently serve as members of the Group Management Committee. Mr. M. Wickremasinghe joined us as Chief Information Officer. Their combined wealth of experience will undoubtedly strengthen our management team in our pursuit for growth.

OUTLOOK

The current scenario does not imply an increase in the industry volumes of commercial vehicles. This remains a concern. Our focus will be on gaining market share. The return of the permit regime, to some extent, will off-set the negative impact created by the recently increased luxury tax. Therefore, the passenger car business is expected to improve and contribute in the year ahead. Opportunities in vehicle aftercare will be pursued to negate the lack of commercial vehicle sales. Any reduction in tariffs, particularly on small commercial vehicles, and a favourable change in the loan to value ratio in lending, could make a substantial increase in commercial vehicles sales.

The resurgent electromechanical engineering business is expected to contribute significantly, and the current forecasts support this prediction.

The construction and material handling machinery segment and the marketing and distribution segments are expected to produce an improved performance.

Our efforts are also focussed on improving the profitability of the agriculture segment. Rainfall and the government policy on fertiliser imports will influence the outcome.

The budgets prepared for the current year indicate a significantly improved result in 2019-20, compared to the year under review.

ACKNOWLEDGEMENT

Members of my tribe led by my management team have worked as a close - knit unit to face the challenges with commitment and determination. The Board of Directors, as always, have strengthened me and offered their invaluable advice to steer the Company through the difficult times. I offer my heartfelt thanks to all of them. My deep appreciation goes to all our Principals for placing their trust in DIMO as their preferred partner.

A.R. Pandithage
Chairman/Managing Director

25th May 2019
Colombo

Mapping the course to achieve our aspiration

This section looks at how we have strategised and organised ourselves to achieve our aspirations.

CORPORATE STRATEGY AND VALUE CREATION

ASPIRATION

To be the corporate role model that inspires and touches every Sri Lankan every day

PURPOSE

To create value responsibly

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

WE IMPLEMENT THE MANDATE SET FORTH IN THE CORPORATE STRATEGY THROUGH A CAREFULLY CONSTRUCTED BUSINESS MODEL. THIS MODEL DEPICTS HOW WE LEVERAGE OUR CORE STRENGTHS, OUR EXPERTISE, AND OUR RESOURCES TO ADD VALUE THROUGH EVERY ACTIVITY WE UNDERTAKE TO CREATE VALUE TO THE ORGANISATION, TO STAKEHOLDERS AND TO THE COMMUNITY AS A WHOLE.

DIMO aspires to be a corporate role model that creates value for its shareholders and other stakeholders and help them realise their dreams and aspirations. Our purpose necessitates that we be responsible towards the economy, society and the environment throughout the process of value creation. The values embedded in our organisational culture drives this responsibility.

STRATEGY

Guided by our aspiration and purpose, the overarching corporate strategy of DIMO is built on three key aspects – Diversification, Differentiation and Collaboration.

Diversification is the group level strategy that determines which business domains we opt to operate in, in order to achieve our overall aspiration. We have pursued a strategy of diversifying into related industries that enjoy synergies with our existing businesses, thereby facilitating the Group's growth in to a larger conglomerate. Accordingly the Group is presently diversified in to six business segments: vehicle sales, vehicle after services, marketing and distribution, construction and material handling, agriculture and electro mechanical, bio medical and marine engineering.

Differentiation is the business level strategy we employ to win against competition in our chosen business domains. It seeks differentiation in terms of technological excellence, customer primacy, dependability, market presence, aftercare, and responsible behaviour. The value proposition offered by each business segment integrates these traits of differentiation in varying combinations.

The Group's differentiation strategy is supported by internal collaboration, with employees, and external collaboration with our partners. We believe that employee engagement will lead to competitive advantage because engaged employees deliver more in qualitative and quantitative terms, thereby becoming a key force that drives the strategies of differentiation. Similarly, partnering with the best gives us access to best in class products, solutions and technology, which can be leveraged upon to compete more aggressively.

The ISO certified Quality Management System and Environmental Management System together with the SA 8000 certified Social Accountability Management System form part of the operational level strategy which ensures alignment between organisational performance and our purpose of creating value responsibly.

Figure 01: DIMO's corporate strategy

COLLABORATION

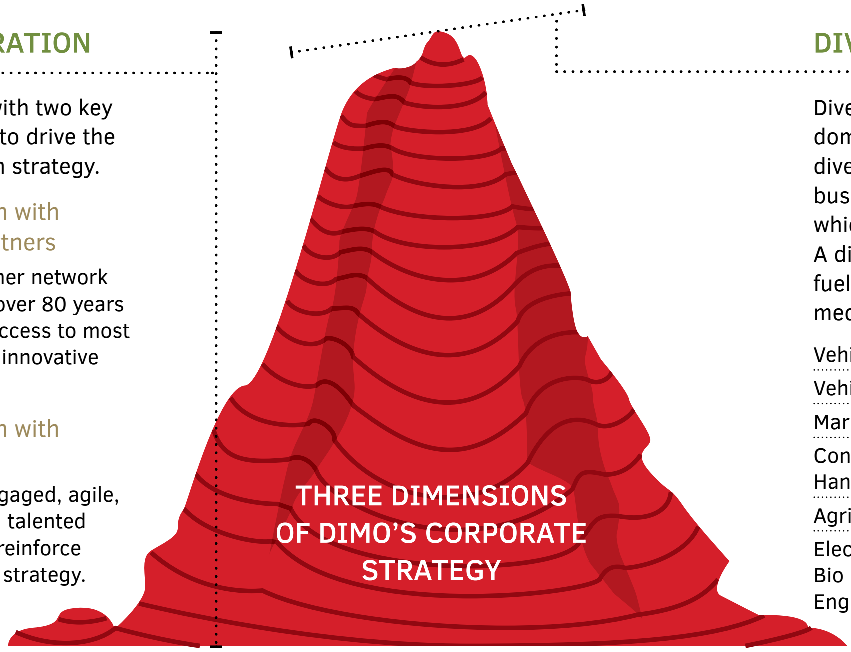
Collaborate with two key stakeholders to drive the differentiation strategy.

Collaboration with Business Partners

Business partner network we have built over 80 years provides the access to most advanced and innovative products.

Collaboration with Employees

Develop an engaged, agile, innovative and talented DIMO tribe to reinforce differentiation strategy.



DIVERSIFICATION

Diversification strategy dominated by related diversification decides business domains in which we opt to operate. A diversified portfolio fuels growth and reduces medium and long-term risk.

- Vehicle Sales
- Vehicle After Services
- Marketing and Distribution
- Construction and Material Handling equipment
- Agriculture
- Electro Mechanical, Bio Medical and Marine Engineering

DIFFERENTIATION

Carefully designed value chain to deliver differentiation through the following.

- Technological Excellence
- Dependability
- Aftercare
- Customer Primacy
- Market Presence
- Responsible Behaviour

Accredited Quality, Environmental and Social Accountability Management Systems

MEASURING PERFORMANCE

Our corporate strategy pursues three main goals in order to reach the stated aspiration. These are creating value to the organisation, creating value to shareholders and other stakeholders and being a responsible corporate citizen.

At DIMO, creating value for the organisation pivots on our ability to enhance the availability, affordability and quality of the resources we invest in. By maximising the value distributed to shareholders and other stakeholders, we secure our value creation ability in the long-term. We achieve our intent of being a responsible corporate citizen by managing our impacts on the economy, environment and society in ways that minimise the negative impacts and maximise the positive ones. Table 01 elaborates how each goal is achieved and measured, and how each goal contributes to United Nations' Sustainable Development Goals (SDGs)

Table 01: Our promises, how we achieve them and how we measure them

What we promise	How we achieve	How we measure	Contribution to SDGs
Create value to the organisation	Revenue growth	Annual revenue growth	8
		Annual growth in revenue contributed by new initiatives launched in last two years	8
	Improving efficiency and reducing cost	Cost incurred to earn one rupee revenue	8 12
	Maximising monetised returns	Return on Capital Employed (ROCE)	8
	Keeping employee engagement intact	Annual Employee Engagement Index	8
	Enhancing customer trust	Accreditations of customer centric quality management system	12
	Strengthening brand equity	Independent brand assessments	NA
Create value to shareholders and other stakeholders	Increasing shareholder returns	Return on Equity (ROE)	8
	Offering value for money to customers	Customer Satisfaction Index	NA
	Enhancing employee value proposition	Employee Satisfaction Index	8
	Improving local value addition to foreign business partners	Business partner feedback.	NA
Being a responsible corporate citizen	Monetised value creation and distribution	Monetised value added	8
		Monetised value distributed	8
	Compliance with rules and regulations	Non-compliances recorded	16
	Responsible consumption of scarce natural resources	Water consumed to generate one million rupees turnover	12
		Energy consumed to generate one million rupees turnover	
		Recycle and reuse of water withdrawn	6 12
		Percentage of waste segregated and handed over to selected third parties for recycling/reuse	11 12

What we promise	How we achieve	How we measure	Contribution to SDGs
	Reducing carbon footprint of the Group	Carbon footprint generated for one million rupee turnover	12 13
	Ethical labour practices	Accreditations of social accountability policy	8 16
	Contribution to the development of Sri Lankan Livelihood	Contribution to the community development through products and services	2 6 7 9 11
		Voluntary contribution to community development and environmental conservation outside business boundary	3 4 6 13 14 15

Refer page 20 to 25 for the delivery of promises mentioned above.

STRATEGY IMPLEMENTATION

We implement the mandate set forth in the corporate strategy through a carefully constructed value creation model. This model depicts how we leverage our core strengths, our expertise, and our resources to add value through every activity we undertake to create value to the organisation, to stakeholders and to the community as a whole. The Group structure is the mechanism through which the business model is implemented. It shows how each component in the Group works collectively to create value in each business segment.

Figure 02: Strategy implementation through value creation model and Group structure

STRATEGY IMPLEMENTATION

Group Structure

Value creation model

GRI 102-40

Figure 03: Value creation model

Source the best in class	Efficient logistics	Engaging customers and building trust	Solution mapping with state-of-the-art designs

Our stakeholders help to obtain resources required for value creation

We convert them into key drivers that stimulate value creation

The value chain empowered by key drivers make available diversified products and services to our customers

- Shareholders
- Financial Institutions
- Customers
- Business Partners
- Employees
- Society
- Government

- Monetised resources that reflect in our financial statements
- Customer relations based on their trust and loyalty
- Strategic relations with our business partners
- Alignment, capacity and engagement of our employees
- The brand equity accumulated over 80 years
- Natural resources and public infrastructure we consume and share with the society

- Structure that drives performance and accountability
- Managing material aspects that affect value creation
- Maintaining a strong financial position that stimulates long-term growth
- A superior value proposition that fosters lasting customer relationships
- Repositioning DIMO to face the challenges of future
- Collaborate with global partners to deliver international quality locally
- Responsible behaviour in managing impacts
- Inspire and transform Sri Lankan lives

- Vehicles – sales
- Vehicles – After Services
- Marketing and distribution
- Agriculture
- Construction and material handling equipment
- Electro mechanical, bio medical and marine engineering

GRI 102-40

EXECUTING DIFFERENTIATION STRATEGY THROUGH THE VALUE CHAIN

Engineering with technological excellence	Convenient and reliable aftercare	Delivering quality on time	Support services that provide business insights

Products and services offered and value creation activities create positive and negative impacts to the Group, to our stakeholders and to the community. This helps us to achieve Group's strategic outcomes.

Value Created to the Organisation

YEAR ON YEAR REVENUE GROWTH
(12)%
In 2017/18: (2)%

REVENUE FROM NEW INVESTMENTS IN LAST TWO
RS. 2,248 MN
In 2017/18: Rs. 1,457 Mn

EMPLOYEE ENGAGEMENT SCORE
3.89
In 2017/18: 4.00

RETURN ON CAPITAL EMPLOYED
7.48%
In 2017/18: 8.37%

Value Created to Stakeholders

CUSTOMER SATISFACTION INDEX
87%
In 2017/18: 88%

DIVIDEND PER SHARE
RS. 2.50
In 2017/18: Rs. 20.00

EMPLOYEE SATISFACTION INDEX
65%
In 2017/18: 65%

Being a Responsible Corporate Citizen

ENERGY CONSUMPTION PER ONE MILLION RUPEE REVENUE
2.14 GJ
In 2017/18: 1.76 GJ

VOLUNTARY INVESTMENTS ON COMMUNITY DEVELOPMENT (RS. MILLION)
RS. 89 MN
In 2017/18: Rs. 108 Mn

WATER RECYCLED AND REUSED
9,556 M^3
In 2017/18: 8,822 M^3

CARBON EMISSION PER ONE MILLION RUPEE REVENUE
0.2087 tCO_2e
In 2017/18: 0.1664 tCO_2e

GRI 102-45

Figure 04: Group Structure

COMPANY

Diesel & Motor Engineering PLC
Parent

DIMO Lanka Company Limited
100% Subsidiary
Inc. in Myanmar

United DIMO Company Limited
70% Subsidiary
Inc. in Myanmar

DIMO Industries (Private) Limited
100% Subsidiary
Inc. in Sri Lanka

DIMO Travels (Private) Limited
100% Subsidiary
Inc. in Sri Lanka

SEGMENT

	VEHICLES – SALES	VEHICLES – AFTER SERVICES	CONSTRUCTION & MATERIAL HANDLING EQUIPMENT
PRODUCT PORTFOLIO	Sale of brand new passenger vehicles, four wheel drive vehicles, commercial vehicles, special purpose vehicles and pre-owned vehicles.	Sale of franchise spare parts and services for passenger vehicles and commercial vehicles. Vehicle repairs and services for franchise and non-franchise vehicles.	Sale and service of earth moving machinery, road construction machinery, fork-lifts, racking systems, cranes, pumps, concrete batching plants, compressors and warehouse equipment
BRAND PORTFOLIO	Chrysler, Jeep, Mercedes-Benz, Tata Motors	Chrysler, Jeep, Mercedes-Benz, Tata Motors	AJ Dongyang, Kalmar, SSI Schafer, Carmix, Everdigm, Gehl, Gomaco, Haulotte Group, Kaeser Kompressoren, Still, Komatsu, Manitowoc, MHE Demag, Palfinger, Bomag, Schwing Stetter, Bendi
KEY STRENGTHS	Strong foreign business partner relations Islandwide presence Availability of reliable aftercare	Islandwide presence Widespread dealer network State-of the art workshops Technical expertise	World-renowned business partners Strong customer relationships Availability of reliable aftercare
KEY IMPEDIMENTS	Frequent changes in government regulations High import tariff	Shortage of skilled labour Low cost substitutes	Low cost substitutes Reduction in government spending on infrastructure development

GRI 102-45

PlantChem (Private) Limited
51% Subsidiary
Inc. in Sri Lanka

Plant Seeds (Private) Limited
51% Subsidiary
Inc. in Sri Lanka

DIMO (Private) Limited
100% Subsidiary
Inc. in Sri Lanka

DIMO Coastline (Private) Limited
40% Joint Venture
Inc. in Maldives

MARKETING & DISTRIBUTION	AGRICULTURE	ELECTRO MECHANICAL, BIO MEDICAL AND MARINE ENGINEERING
Sale of non-franchise vehicle spare parts, accessories, components, tyres, power tools, lamps and light fittings.	Sale of agri machinery, agri machinery after services, sale of fertiliser, seeds, agrochemicals and speciality fertilisers	Sale and aftercare of medical equipment, power engineering solutions, power systems, marine engineering solutions, rail traction, power generation systems, building management systems, and fluid management systems
⦿ Islandwide presence ⦿ Strong dealer network ⦿ World-renowned brands	⦿ Islandwide presence ⦿ Strong dealer network	⦿ Strong business partner relations with world-renowned brands. ⦿ Technical expertise ⦿ Reputed aftercare
⦿ Low cost substitutes ⦿ Depreciation of rupee	⦿ Highly subjective to government regulations ⦿ Dependence on weather	⦿ High customer bargaining power ⦿ Dependence on spending levels on infrastructure development

Names of the Directors of subsidiaries and the joint venture is disclosed on page 179

BASIS FOR ALLOCATING RESOURCES

Within the company, businesses are clustered together based on their similarities under the guidance provided by the Sri Lanka Accounting Standards; they are referred to as business segments. Typically, the value chain activities of businesses within one segment are similar whereas they may differ in the case of businesses in two different business segments. The resources required by one value chain activity may, on the other hand, be different from the resource requirement of another. Therefore, a connection can be identified between business segments and how critical different resources are to that business segment's value chain activities. The following illustration depicts the criticality of each value chain activity to each business segment and the criticality of each resource for each value chain activity, thus establishing connectivity between each business segment and each resource. Establishing this connection helps us to allocate resources based on the requirement of each value chain activity and consequently, for each business segment.

Supply Chain Activities' Connectivity with Business Segments and Capitals

BUSINESS SEGMENT	Sourcing	Warehousing	Customer Engagement	Solution Mapping	Engineering	Delivering	Aftercare	Support Services
Vehicle - Sales	Moderately Critical	Moderately Critical	Extremely Critical	Required may not be Critical	Moderately Required or Not Required	Required may not be Critical	Extremely Critical	Moderately Critical
Vehicles - After Services	Moderately Critical	Moderately Critical	Extremely Critical	Moderately Critical	Extremely Critical	Moderately Required or Not Required	Extremely Critical	Moderately Critical
Marketing & Distribution	Extremely Critical	Extremely Critical	Extremely Critical	Required may not be Critical	Moderately Required or Not Required	Extremely Critical	Extremely Critical	Moderately Critical
Construction & Material Handling Equipment	Required may not be Critical	Required may not be Critical	Extremely Critical	Extremely Critical	Extremely Critical	Moderately Required or Not Required	Extremely Critical	Moderately Critical
Agriculture	Moderately Critical	Extremely Critical	Extremely Critical	Moderately Required or Not Required	Moderately Required or Not Required	Moderately Critical	Required may not be Critical	Moderately Critical
Electro-Mechanical, Bio-Medical & Marine Engineering	Moderately Critical	Required may not be Critical	Extremely Critical	Extremely Critical	Extremely Critical	Moderately Required or Not Required	Extremely Critical	Moderately Critical

Supply Chain Activity

RESOURCES	Sourcing	Warehousing	Customer Engagement	Solution Mapping	Engineering	Delivering	Aftercare	Support Services
Monetised Resources	Extremely Critical	Extremely Critical	Required may not be Critical	Required may not be Critical	Extremely Critical	Moderately Critical	Moderately Critical	Moderately Critical
Relationship Capital	Extremely Critical	Moderately Required or Not Required	Extremely Critical	Moderately Critical	Required may not be Critical	Moderately Critical	Moderately Critical	Required may not be Critical
Employees	Moderately Critical	Moderately Critical	Extremely Critical	Extremely Critical	Extremely Critical	Extremely Critical	Extremely Critical	Extremely Critical
Intellectual Capital	Moderately Critical	Moderately Critical	Moderately Critical	Extremely Critical	Extremely Critical	Moderately Critical	Extremely Critical	Extremely Critical
Natural Capital	Required may not be Critical	Moderately Critical	Required may not be Critical	Required may not be Critical	Moderately Critical	Moderately Critical	Extremely Critical	Moderately Critical

Legend

Criticality of Supply Chain Activity to Business Segment and Criticality of Resources 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 delivery of solutions to the customers
AFTERCARE	Addressing customers' post-delivery requirements
SUPPORT SERVICES	Provision of support services for supply chain activities

Delivering our promise

This section provides a review of how we have delivered what we promised. We also include an overview of the operating context, to indicate the background against which these results were achieved.

DARING AND ADVENTUROUS IN SPIRIT

A CONVERSATION WITH THE GROUP CHIEF EXECUTIVE OFFICER, MR. A. G. PANDITHAGE

WHAT IS YOUR ASSESSMENT ABOUT THE EXTERNAL ENVIRONMENT?

This has been another eventful year in the operating environment, characterised by automobile tariff changes, high interest rates, volatile exchange rates, new emission and safety standards and negative sentiments about the economy. Overall, the falloff in demand in the segments that we serve was worse than what the reduction in GDP growth from 3.4% in 2017 to 3.2% in 2018 would suggest.

WHY DID THE GROUP TURNOVER DECLINE?

Against the back-drop of a hostile external environment, the Group recorded a 12% decline in its revenue from Rs. 43,686 billion last year to Rs. 38,300 billion this year. The vehicle after services, agriculture and electromechanical, bio medical and marine engineering segments recorded a growth in revenue while the other three segments - vehicle sales, marketing and distribution and construction and material handling equipment recorded a decrease in revenue. The vehicle sales and construction and material handling equipment segments were the key contributing segments to the decline with 23% and 26% reductions.

In rupee terms, the vehicles sales segment recorded a Rs. 20,318 billion revenue compared to Rs. 26,497 billion revenue last year. The external factors that I mentioned earlier, significantly influenced automobile sales. The high loan to value ratio applicable to lending and the temporary suspension of vehicle permits in September 2019, further contributed to this decrease. The decline in the market size of vehicle categories that we serve remains an area of concern. We are formulating more strategies to change our fortunes in this segment.

On a positive note, an increase in vehicle throughput and improvements made in the efficiency and productivity ratios at the auto workshops delivered an improved segment result for vehicle after services.

The electromechanical, bio medical and marine engineering business also produced an improved result, backed by revenues from projects in power engineering and building technologies.

The agriculture segment recorded a 25% increase in the segment turnover, with its expansion last financial year through the addition of seeds and agrochemicals to its portfolio upon the acquisition of two subsidiaries and its entry into the fertiliser business, during the second half. .

WHAT WAS THE REASON FOR THE REDUCTION IN NET PROFIT AFTER TAX?

The benefit from the increase in gross profit ratio from 16.33% to 19.03% was not adequate to compensate for the overall reduction in turnover and increase in finance costs, as the company ended up with a reduced net profit after tax of Rs.77 million (2018/19 – Rs.523 million).

The finance cost was higher mainly due to the increase in borrowings to support a calculated stock build up in commercial vehicles during the last three quarters. The stock build-up was part of the transition strategy from the old regime to the new regime of emission and safety standards.

HOW DO YOU EXPECT TO TURNAROUND FROM THE CURRENT SITUATION?

As a business, we cannot wait for the external environment to change for the better. Therefore, we have and we will come up with more strategies to get back on the path of growth.

The vehicle sales business, which was the most impacted due to external reasons, is expected to perform better in the current year. The removal of margin requirements for passenger vehicles and the impending removal of suspensions on vehicle permits will lead to a revival of passenger vehicle sales in the market categories we serve. We also have strategies in place to make the commercial vehicle range more competitive and therefore expect an improvement in this sector.

We will capitalise on the progress made during the year in vehicle after services and expand capacity, which will help us to boost profitability whilst improving our capability to support vehicle sales through strong after sales.

The orders in hand pertaining to the electromedical, bio medical and marine engineering businesses indicate a better result for the current year.

The portfolio rationalisation and resulting improvements in sales force efficiency and working capital management improved the results of the marketing and distribution segment during the second half of the financial year. This momentum will be carried forward to the current year.

The launch of the hybrid excavator and more investments in after services of construction and material handling machinery is expected to deliver a better result in this segment too.

Overall, our budgets predict a turnaround and a much improved result.

WHAT ARE THE KEY CHALLENGES YOU FACE?

Dealing with challenges is natural in the course of business. I'd like to spell out two key challenges that are presently dominating our attention.

Firstly, our sensitivity to external factors. Too many external factors, as I mentioned earlier, have influenced the reduction of our profits. Going forward, we shall not accept the same outcome and will formulate more strategies to circumvent the negative effects and move on.

We have other challenges radiating from the outside world. It is imperative that we make timely adaptations to changes in technology. In order to ensure that we do not lose on this account, we continually evaluate our techno capability. This is important from a point of view of embedding latest technology in our offering, use of technology in our operations and in mapping our future path revolved around technology.

HOW WILL YOU MEET YOUR CHALLENGES?

Challenges have to be met by people. They need to have the will, commitment and engagement to overcome any challenge. I am happy to say that we do not have a shortage of these ingredients at DIMO. I have witnessed how our tribe members have rallied around previously to surmount challenges and I am confident that it will be no different this time around too.

HOW HAVE YOUR RECENT INVESTMENTS FARED?

Investments made in PlantChem (Pvt) Ltd. and PlantSeeds (Pvt) Ltd. in February 2018 are performing up to our initial expectations. Together, both companies recorded a profit before tax of Rs. 87 million for the year. The return of the former fertiliser subsidy scheme and import quota system for fertilisers seriously retarded the initial growth we experienced in the fertiliser business when we commenced in 2017.

Our investment in Myanmar is progressing as planned and the automobile workshop there is reaching maturity. We have secured a vehicle dealership in Yangon, Myanmar and operations will commence soon. We have also secured an order in the power sector in Myanmar which is presently at execution stage.

We are working towards realising full potential in our investment in the joint venture in the Maldives, where we operate a facility for marine and general engineering repairs.

WHAT IS YOUR PHILOSOPHY ON SUSTAINABILITY?

Sustainability at DIMO is driven by our statement of purpose. Responsible corporate behaviour is ingrained in our corporate philosophy. As a responsible corporate, we ensure that all our business endeavours play a role in sustainable development. This philosophy is internally driven by our accredited management systems for quality, environment and social accountability. Whilst we ensure all our internal activities, including our product and service offering, contribute to positive economic, social and environmental impacts, we also share the collective responsibility towards sustainability related efforts outside our business boundaries, subject to our affordability. Our turtle conservation project is one such instance.

We should not forget that our primary purpose is creating value for our shareholders. What is also important to us is that we do it in a responsible manner. This is encapsulated in our statement of purpose – "create value responsibly".

WHAT IS THE VALUE YOU SEE IN INTEGRATED REPORTING?

Traditionally, corporate reporting some years ago was more backward looking. It provided an account of what happened in the past, expecting the reader to make an assessment of the future. Integrated reporting <IR> goes beyond this. Whilst providing an account of what happened in the past, it calls for the preparer to be future oriented. There is an emphasis on enablers of value creation such as different kinds of capitals and their role in value creation. It is a form of reporting that synchronises external reporting with internal reporting systems that manage inputs, outputs and outcomes. In a nutshell, <IR> is a more inclusive, future oriented, synchronised and holistic form of reporting.

CAN YOU PLEASE BRIEF US ABOUT YOUR THINKING FOR THE FUTURE OF THE GROUP?

As a company keeping abreast of the needs of the contemporary world, we have consciously looked at opportunities to inspire and transform Sri Lankan lives. Our commitment is to deliver perfection and technological excellence to Sri Lankans, inspiring them to pursue the best for themselves.

Our mission statement directs us to create value responsibly. This is the origin of our commitment to creating value for our stakeholders in a responsible manner. Our philosophy, values, structures, systems and processes are designed to deliver on this commitment. Thus, our participation in sustainable development and inclusive growth is automatically driven.

A.G. Pandithage
Director/Group Chief Executive Officer

25th May 2019
Colombo

AN ASSESSMENT OF VALUE DELIVERED

CREATING VALUE FOR THE ORGANISATION

The Value created for the organisation is reflected in our stores of value - monetised resources, human resources, customer relationships, business partner relationships, brand equity and natural resources. The improvements made in these resources propel their ability to fuel the Group's future value creation capacity.

The strategy statement depicted on page 10 to 11 sets out a number of aspects in which the Group must perform in order to create value for the Organisation; it also sets forth the manner in which the value created can be measured.

Presented below is an account of the value the Group created for itself during the year against the objectives set by the management as well as the focus areas for financial year 2019/20 to improve performance in each respective area.

REVENUE GROWTH

Revenue growth enhances cash flows and returns, thereby improving financial value creation and future investment capabilities.

Measurement

The Group recorded a 12% reduction in its revenue from Rs. 43,686 million last year to Rs. 38,300 million this year. The key contributor to the decline was the 23% decrease in revenue generated by the vehicle sales segment as a result of obstructive economic conditions. However when considering 2014/15 as the base year , the Group's revenue has recorded a compound annual growth rate of 8.11% from revenue of Rs. 28,037 million in 2014/15 to Rs. 38,300 million this year.

Significant investments during the last two years included the Group's investments in the agriculture sector and ventures in Myanmar and the Maldives. The revenue from these investments, excluding equity invested in Joint Venture in the Maldives, recorded an increase of 54% compared to the previous year.

Focus Areas for 2019/20

- Strengthening footprint in Myanmar and Uganda.
- Improve market share in passenger and commercial vehicle sales.
- Improve the Group's product portfolio and expand market scope within and outside the country.

IMPROVING EFFICIENCY AND REDUCING COST

Reducing cost through efficiencies increases profitability and enhances funds available for investments.

Measurement

The Group during the year spent 96% (2017/18 – 96%) of revenue earned as operating cost, including cost of goods sold (net of other income). Cost reduction initiatives conducted during the year were able to ensure the operating cost does not increase compared to last year.

Among such initiatives is the migration to a cloud based working platform which is relatively more efficient.

Focus Areas for 2019/20

- Cost optimisation and improving net profit margin.
- Employee training to improve their efficiency and their capacity.
- Restructuring operating processes to enhance the efficiency and effectiveness.

MAXIMISING MONETISED RETURNS

Increased monetised returns for capital employed, enhances the Group's ability to raise funds.

Measurement

The return on capital employed saw a 11% reduction from 8.37% last year to 7.48% this year. 12% reduction in revenue contributed by vehicle sales segment is the key reason for this decline.

Capital employed of the Group as at 31st March 2019 was, Rs. 22,215 million (2017/18 – Rs. 21,238 million). This includes Rs. 10,134 millions of short term and long term borrowings (2017/18 – 9,189).

Focus Areas for 2019/20

- Focus areas relating to improving revenue and reducing costs are expected to improve returns on capital employed.

KEEPING EMPLOYEE ENGAGEMENT INTACT

Improved employee engagement drives improved financial returns.

Measurement

The Group's employee engagement score for the year is 3.89 compared to 4.00 in last year.

Focus Areas for 2019/20

- Improving employee mobility and enhance their capacity and engagement.
- Enhancing employee alignment through real-time performance evaluations.
- Developing high potential employees to improve their readiness for managerial positions.
- Aligning Group's code of conduct in to newly acquired ventures.

ENHANCING CUSTOMER TRUST

Enhanced customer trust strengthens relationship capital, increases brand equity and future revenue generation ability

Measurement

The Group's quality management system manages the delivery of a product or service through the application of effective and continually improving systems, assuring the customer of conformity with health and safety standards and applicable legal requirements, whilst addressing customer expectations. The Group's quality management system is ISO 9001:2015 accredited.

Focus Areas for 2019/20

- Continuous training programs in the area of customer excellence to provide an exceptional experience to our customers.
- Constant engagements with customers to understand their requirements better.
- Extending Group CRM function to newly-acquired ventures.

STRENGTHENING BRAND EQUITY

Enhanced brand equity helps us improve customer trust, attracts reputed business partners and enables recruiting the best talent.

Measurement

The findings of an independent brand assessment conducted last year revealed that the DIMO brand is strong, reflects value based responsible business conduct, is trusted by thousands of stakeholders and is a brand that brings globally recognised technologies to Sri Lankans. It further emphasised that DIMO is an employer of choice.

Focus Areas for 2019/20

- Re-position the DIMO brand as an integrated solution provider independent from the foreign brands that we represent.

CREATE VALUE FOR STAKEHOLDERS

Maximising the value distributed to stakeholders strengthen the quality of relationship maintained with them and in turn enhances our value creation ability in the long-term.

The strategy statement depicted on page 10 to 11 thus sets out a number of aspects in which the Group must perform in order to create value to stakeholders; it also details the manner in which the value created can be measured.

Presented below is an account of the value created for stakeholders by the Group throughout the year against those objectives set by the management and the focus areas for financial year 2019/20 to improve performance in each respective area.

INCREASING SHAREHOLDER RETURNS

This is a key aspect in stakeholder expectations. Providing satisfactory returns to shareholders thus enhances the Group's share price and improves the availability of sources of funds.

Measurement

Return on Equity (ROE) for the year is 0.63% (2017/18 – 4.34 %). The 85% reduction in ROE is caused by 85% reduction in profit after tax led by 12% reduction in revenue and 52% increase in net finance cost. Unfavourable market conditions coupled with increased interest rates and borrowings were the main causes of this decline.

Earnings Per Share for the year is Rs. 5.78 (2017/18 – Rs. 58.50). Dividend payout ratio for the dividend declared is 43% (2017/18 – 34%)

Focus Areas for 2019/20

- Efforts made in revenue growth and cost reductions are expected improve returns to shareholders.
- Making continuous improvements in working capital management in order to reduce interest cost.

ENHANCING EMPLOYEE VALUE PROPOSITION

Satisfied and cared-for employees will contribute to value creation more than those who are not sufficiently satisfied.

Measurement

Employee satisfaction Index for the year is 65% (2017/18 – 65%).

Focus Areas for 2019/20

- Improve direct engagement with employees including direct interaction at personal level to understand their expectations better and align them to Group's strategy.

IMPROVING CUSTOMER'S VALUE FOR MONEY

Delivering value exceeding customer expectations will stimulate customer loyalty and trust. This in turn enhances our brand equity and value creation ability in future.

Measurement

Customer satisfaction index for the year is 87% (2017/18 – 88 %)

Focus Areas for 2019/20

- Enhance customer value by providing integrated solutions to them.
- Brand re-positioning with defined standards of leadership to enhance customer experience.
- Cross segment customer reference through Group CRM database.

IMPROVING LOCAL VALUE ADDITION FOR FOREIGN BUSINESS PARTNERS

Adding value to foreign business partners enhances our value to business partners, our ability to form new partnerships, and increases our negotiation capabilities.

Measurement

DIMO through its established network of 60 contact points in Sri Lanka and its footprint in the Maldives and Myanmar provides any foreign principal with the best access to the Sri Lankan market and to Maldives and Myanmar. Our talent pool is equipped with 80 years of learning and expertise and our workshops are equipped with state of the art technologies. The recognition of DIMO 800; the Mercedes Benz centre by Daimler AG as the only certified 'general distributor' workshop in South East Asia for body and paint repairs, stands testimony to this.

Focus Areas for 2019/20

- Improve the efficiency of the value chain to ensure an enhanced value proposition to the customer.
- Expanding overall market share.
- Continue training our employees to maximise our value adding content.

BEING A RESPONSIBLE CORPORATE CITIZEN

DIMO upholds its commitment to being a responsible corporate citizen by minimising negative impacts and maximising our positive impact on the economy, environment and the society. Being responsible enables us to live up to our purpose of creating value responsibly while also securing our license to operate in the longer term.

The strategy statement depicted on page 10 to 11 sets out a number of aspects in which the Group is required to perform in order to be a responsible corporate citizen, and the manner in which the mandate can be measured.

Listed below are the Group's efforts to be a responsible corporate citizen throughout the year against those objectives set by the management and the focus areas for financial year 2019/20 to improve performance in each respective area.

MONETISED VALUE CREATION AND DISTRIBUTION

Monetised value creation and distribution contribute to the economic growth of the country.

Measurement

During the year under review the Group created Rs. 20.0 billion worth of monetised value (2017/18 - Rs. 18.1 billion), of which Rs. 19.5 billion (2017/18 - Rs. 17.2 billion) was distributed among employees, shareholders, lenders, government and the community.

Focus Areas for 2019/20

- Increasing monetised value creation by stimulating revenue growth.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance is mandatory to conduct and sustain the business.

Measurement

No non-compliances with laws and regulations were recorded during the year.

Focus Areas for 2019/20

- Bring more emphasis to leadership traits to enhance ethical employee behaviour.

RESPONSIBLE CONSUMPTION OF SCARCE NATURAL RESOURCES

The efficient use of natural resources improves the sustainability of such resources and ensures their availability for our consumption and consumption of others in the longer term.

Measurement

Water consumed to generate one million rupee turnover was 3.08 M3 (2017/18 – Rs. 2.41M3). Energy consumption to generate one million turnover was 2.14GJ (2017/18 – 1.76GJ). The 28% and 22% increase in water and energy consumption to generate one million turnover is due to the 8% increase in vehicle throughput in vehicle after sales service section and the accumulation of water and energy consumed by newly-acquired ventures.

During the year 9,556 M3 (2017/18 - 8,822M3) of water was recycled and reused. This amount is 8.1% (2017/18 – 8.4 %) of total water consumption of the Group.

Waste segregated and handed over to selected third parties for recycling/reuse is 518,016 kg (2017/18 – 397,622). The increase in the weight of waste was mainly due to replacement of a cabin in Siyabalape accident repair unit and clearance of a stock of old metal scrap stored in Weliweriya warehouse, during the year.

The Group's environmental management system which is ISO 14001:2015 accredited ensures our efficiency in consuming scarce natural resources.

Focus Areas for 2019/20

- Expanding Group's environmental management system to foreign ventures.
- Increasing awareness on the need for efficiency in resource consumption.
- Stimulating employee innovative ideas to re-cycle and reuse materials sourced from scarce natural resources.

REDUCING CARBON FOOTPRINT OF THE GROUP

Global warming caused by increasing GHG emissions has an impact on weather conditions. This has the potential to interrupt the Group's day-to-day business operations and impedes sustainable development.

Measurement

The carbon footprint of the Group for the year is 7,995 tCO_2e (2017/18 – 7,679 tCO_2e). The GHG emission for one million rupee turnover recorded was 0.2087 tc02e (2017/18 - 0.1664).

Focus Areas for 2019/20

- The Group's footprint in renewable energy through the installation of large scale solar panels in Embilipitiya and on the roof top of Weliweriya, Siyambapape and DIMO 800 premises is expected to generate 4,658 MWh of electricity annually. This investment will reduce the Group's carbon footprint while generating revenue and reducing costs.

ETHICAL LABOUR PRACTICES

Ethical labour practices increase employee engagement, enhances the Group's brand equity and improves its social licence to operate.

Measurement

The Group's social accountability management system is SA 8000 accredited.

Focus Areas for 2019/20

- Strengthening ethical labour practices outside the business boundary through periodic evaluation of subcontractors' labour practices.

CONTRIBUTION TO THE DEVELOPMENT OF LIVELIHOOD OF SRI LANKANS

Contribution to the development of Sri Lankan livelihoods enables the Group to make its aspiration a reality.

Measurement

The Group has voluntarily spent Rs. 89 million on community development and environmental conservation during the year (2017/18 – Rs. 108 million). This includes Rs. 69 million spent on the operations of DIMO Automobile Training centre and Nasevana Training Academy. Other key initiatives included conserving biodiversity, providing technical education to youth and improving infrastructure facilities of the county.

The Group further enhances the livelihoods of Sri Lankans through its products and services.

A detailed account of the Group's contribution to improving Sri Lankan livelihood is presented from page 86 to 91.

Focus Areas for 2019/20

- Areas of focus for voluntary investments will remain in provision and facilitation of technical and vocational education to the youth, developing the social and physical infrastructure of the community and environmental conservation.
- Strengthening the contribution made by products and services portfolio, particularly in the areas of power engineering, medical solutions, fluid management systems and agriculture.

REFLECTING ON THE BUSINESS SEGMENTS

VEHICLE SALES

Sale of brand new passenger vehicles, four wheel drive vehicles, commercial vehicles, special purpose vehicles and pre-owned vehicles.

PERFORMANCE HIGHLIGHTS

KPI	2018/19	2017/18	2016/17	2015/16	2014/15
Revenue (Rs. million)	20,318	26,497	29,570	27,283	17,973
Contribution to the Group's revenue (%)	53	61	67	61	64
Segment results (Rs. million)	968	1,365	1,748	1,946	1,347
Contribution to the Group's segment results (%)	31	42	54	62	57
Customer Satisfaction Index (%)	91	90	87	88	87
Number of employees	275	299	349	324	330
Carbon emission (tCO2e) to generate one million rupee turnover	0.09	0.08	0.09	0.09	0.12
Water consumption (M3) to generate one million rupee turnover	1.36	0.91	0.76	0.72	0.78
Energy consumption (GJ)) to generate one million rupee turnover	0.98	0.76	0.81	0.88	1.51

SEGMENT REVENUE

RS. 20,318 MN

In 2017/18: Rs. 26,497 Mn

SEGMENT RESULT

RS. 968 MN

In 2017/18: Rs.1,365 Mn

CUSTOMER SATISFACTION INDEX

91%

In 2017/18: 90%

KEY MACROECONOMIC IMPACTS DURING THE YEAR

- Decline in new registrations of buses, dual purpose vehicles, goods transport vehicles and land vehicles.
- Introduction of letter of credit margin requirement for passenger vehicles.
- Depreciation of rupee against Dollar and Euro.
- Increase in interest rates and high Loan to Value (LTV) ratio.
- Suspension of the use of permits to import vehicles.
- Introduction of new emission and safety standards for selected groups of vehicles.

FOCUS AREAS FOR 2019/20

- Gaining market share in commercial vehicle sales.
- Complying with safety standards imposed by the government in collaboration with business partners.
- Strengthening the customer base and improving the market share in Myanmar.
- Make representations to policy makers to create environmentally sustainable and economically viable policies pertaining to automobiles.

SEGMENT PERFORMANCE

Unfavourable market conditions caused a reduction in segment performance

The segment reported a revenue of Rs. 20,318 million (2017/18 – 26,497 million), contributing 53% (2017/18 – 61%) to the Group's total revenue. In the commercial vehicle segment, a decline was witnessed in sale of buses and goods transport vehicles by 30% and 41% respectively, causing the revenue reduction. Dual purpose vehicle sales saw an increase of 16% compared to last year. Overall, the number of vehicles sold by the segment reduced by 15%, compared to last year.

Followed by the decrease in segment turnover, Segment results also saw a decline of 29%; from Rs. 1,365 million last year to Rs. 968 million this year. Segment's contribution to the Group's total segment result reduced from 42% last year to 31% this year.

MANAGING SOCIAL AND ENVIRONMENTAL IMPACTS

Of our business segments, the vehicle sales segment recorded the highest turnover outside the Western Province, indicating a higher participation in economic activity outside the most populated provinces and thereby contributing to community development. Graph 01 identifies the spread of segment revenue over the different provinces in Sri Lanka.

Key Highlights of the Year

- The launch of Mercedes CLS in September 2018
- The launch of one of the most compact SUVs in Sri Lanka; TATA NEXON
- Introducing TATA Yodha BS4; first Indian BS4 commercial vehicle to hit Sri Lankan Roads
- Introducing 1990 Suwa Seriya; an ambulance service to Northern and Uva provinces by handing over 54 TATA winger ambulances
- Securing a Suzuki dealership in Yangon, Myanmar

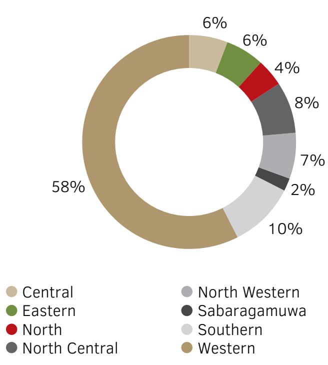
As at 31st March 2019, the segment provided 275 job opportunities (2017/18 – 299) throughout the country; Rs. 460 millions of monetised resources were invested on them (2017/18 – Rs. 543 million).

The segment consumed 27,535 M3 (2017/18 – 24,006 M3) which translates to 23% of the total water consumed by the Group and 1.36 M3 (2017/18 – 0.91 M3) water consumed to generate one million rupee turnover.

The segment consumed 0.98 GJ to generate one million rupee turnover (2017/18 – 0.76 GJ). The energy consumption was 19,946 GJ (2017/18 – 19,885 GJ), 24% of the Group's energy consumption.

The segment's carbon footprint was 1,769 tCO_2e (2017/18 – 2,021 tCO_2e), making up 22% of the total Group's total carbon emissions. The intensity ratio of carbon emission to one million rupee revenue is 0.09 tCO_2e (2017/18 – 0.08 tCO_2e).

Graph 01:
Geographical distribution of revenue generated by the segment



VEHICLE AFTER SERVICES

Sale of franchise spare parts for passenger vehicles and commercial vehicles. Vehicle repairs and service for franchise and non-franchise vehicles.

PERFORMANCE HIGHLIGHTS

KPI	2018/19	2017/18	2016/17	2015/16	2014/15
Revenue (Rs. million)	4,245	3,883	3,502	2,879	3,193
Contribution to the Group's revenue (%)	11	9	8	6	11
Segment results (Rs. million)	806	724	723	492	454
Contribution to the Group's segment results (%)	26	23	22	16	17
Customer Satisfaction Index (%)	85	88	88	85	84
Number of employees	642	624	599	556	535
Carbon emission (tCO2e) to generate one million rupee turnover	0.50	0.55	0.62	056	0.63
Water consumption (M3) to generate one million rupee turnover	13.93	12.67	12.66	12.21	12.76
Energy consumption (GJ)) to generate one million rupee turnover	4.45	5.18	5.34	5.12	6.76

SEGMENT REVENUE

RS. 4,245 MN

In 2017/18: Rs. 3,883 Mn

SEGMENT RESULT

RS. 806 MN

In 2017/18: Rs. 724 Mn

CUSTOMER SATISFACTION INDEX

85%

In 2017/18: 88%

KEY MACROECONOMIC IMPACTS DURING THE YEAR

- 2.8% growth in transportation sector
- 6.7% in the total passenger kilometres operated by both government and private sector bus operators compared to the reduction of 1.4% in 2017
- The growing popularity of transport services offered through online platforms

FOCUS AREAS FOR 2019/20

- Improving efficiency and productivity of vehicle service centres
- Increasing the capacity of vehicle service centres
- Expanding the customer base in Myanmar
- Enhancing the awareness on benefits of using original spare parts

SEGMENT PERFORMANCE

Segment recorded an improved performance last year

The segment reported a revenue of Rs. 4,245 million (2017/18 – 3,883 million), contributing 11% (2017/18 – 9%) to the Group's total revenue. The segment's revenue saw a 9% increase compared to last year revenue. A growth of 8% in vehicle throughput together with extensive marketing efforts contributed to this growth. 73% of the segment's revenue was generated through sales of spare parts.

The segment expanded its operations outside the country in 2018 by investing in a foreign venture in Myanmar through our fully-owned subsidiary in Myanmar. The venture, named United DIMO Company Limited, recorded Rs. 40 million revenue during the year, a significant improvement over Rs. 8 million revenue previous year.

Segment results for the year increased by 11% from Rs. 724 million last year to Rs. 806 million in the year under review. The segment thus contributed to the Group's total segment results by 26% (2017/18 – 23%).

MANAGING SOCIAL AND ENVIRONMENTAL IMPACT OF VEHICLE SERVICE CENTRES

This segment records the highest consumption of water compared to other business segments – being responsible for 55% of the Group's total water consumption. The high consumption arises from the operation of 16 workshops in Sri Lanka and one workshop in Myanmar. The total water consumption during the year was 59,123 M3 (2017/18 – 49,187 M3), at an intensity of 13.93 M3 to generate one million rupee turnover (2017/18 – 12.67 M3).

The segment consumed 4.45 GJ to generate one million rupee turnover (2017/18 – 5.18 GJ). The total energy consumption came to 18,898 GJ (2017/18 – 20,103 GJ).

The segment also is the highest contributor to the Group's total carbon emission, generating a footprint of 2,117 tCO2e (2017/18 – 2,129 tCO2e), which is 26% of the Group's total carbon emission. The intensity ratio of carbon emission to one million rupee revenue is 0.50 tCO2e (2017/18 – 0.55 tCO2e).

The key environmental concerns of the vehicle service centres are the management of non-hazardous waste and the discharge of waste water produced during vehicle services. The Group's environmental management system, which is ISO 14001:2015 accredited, ensures that we adequately manage these impacts. We have established stringent waste management processes that eliminate the risk of discharging untreated water into any public area or sewage system. In the event of a chemical spillage, we have Material Safety Data Sheets (MSDS) that sets out the protocol for managing such an eventuality and have made Chemical Spillage Kits available for the use of employees.

The number of job opportunities generated by the segment is 642 as at 31st March 2019 (624 as at 31st March 2018). Monetised value distributed to them was Rs. 746 million (2017/18 – Rs. 751 million)

Key Highlights of the Year

- DIMO 800 – The Mercedes Benz centre of excellence was recognised by Daimler AG as the highest certified general distributor work shop in South Asia for body and paint repairs.
- TATA global service campaign activity in Sri Lanka that conducted full vehicle inspection services in 13 locations of the country.
- Inauguration of Mathugama Workshop and parts facility.
- Hosting a Mercedes-Benz accident management workshop for local insurance experts.

MARKETING AND DISTRIBUTION

Sale of non-franchise vehicle spare parts, accessories, components, tyres, power tools, Lamps and light fittings.

PERFORMANCE HIGHLIGHTS

KPI	2018/19	2017/18	2016/17	2015/16	2014/15
Revenue (Rs. million)	4,406	4,716	4,314	3,861	3,351
Contribution to the Group's revenue (%)	12	11	10	10	12
Segment results (Rs. million)	379	407	167	259	296
Contribution to the Group's segment results (%)	12	13	5	8	12
Customer Satisfaction Index (%)	84	74	90	86	91
Number of employees	235	212	222	237	245
Carbon emission (tCO2e) to generate one million rupee turnover	0.33	0.23	0.32	0.24	0.39
Water consumption (M3) to generate one million rupee turnover	0.97	0.70	1.99	1.13	2.78
Energy consumption (GJ)) to generate one million rupee turnover	2.63	2.48	3.13	2.69	1.76

SEGMENT REVENUE

RS. 4,406 MN

In 2017/18: Rs. 4,716 Mn

SEGMENT RESULT

RS. 379 MN

In 2017/18: Rs. 407 Mn

CUSTOMER SATISFACTION INDEX

84%

In 2017/18: 74%

KEY MACROECONOMIC IMPACTS DURING THE YEAR

- Depreciation of rupee against dollar and Euro
- Increase in interest rate (AWPLR) from 11.5% as at 31st March 2018 to 12.23% as at 31st March 2019
- Moderate growth of investment expenditure by 6.8% compared to extensive growth of 15.8% last year.
- Margin requirement on tyre imports

FOCUS AREAS FOR 2019/20

- Expanding the product portfolio
- Strengthening credit terms of dealers and debt collection efforts
- Improving marketing efforts to increase the market share

SEGMENT PERFORMANCE

Unfavourable market conditions led to a reduction in revenue

The segment reported a revenue of Rs. 4,406 million (2017/18 – 4,716 million), contributing 12% (2017/18 – 11%) to the Group's total revenue. The revenue recorded by the segment saw a 7% decrease compared to last year. The sale of tyres, lighting products, power tools and original auto equipment, contributed to the segment revenue by 47%, 21%, 13% and 13% respectively.

Despite the unfavourable market conditions, the segment continued to expand its product portfolio by adding world renowned brands to existing product categories. BF Goodrich tyres and STHIL power tools were a few such additions during the year.

Segment results for the year decreased from Rs. 407 million last year to Rs. 379 million this year, recording a 7% reduction. Segment results contributed to the Group's total results by 12% (2017/18 – 13 %).

SOCIAL AND ENVIRONMENTAL IMPACT

As at 31st March 2019, the segment was providing 235 job opportunities (2017/18 – 212) with monetised resources invested on them being Rs. 308 million (2017/18 – Rs. 377 million. The segment also supports the growth of a large number of dealers across the country by providing an opportunity to succeed in business and providing employment opportunities.

The segment consumed 4% of total water consumed by the Group, recording a consumption of 4,287 m3 (2017/18 – 3,291 M3). The water consumption to generate one million rupee turnover is 0.97 M3 (2017/18 – 0.70 M3).

The segment consumed 2.63 GJ energy to generate one million rupee turnover (2017/18 – 2.48 GJ), and the total energy consumption was 11,585 GJ (2017/18 – 11,709 GJ), which was 14% of the Group's total energy consumption. In the spirit of energy conservation, the segment contributes towards improving the efficiency of energy consumption by offering LED bulbs and lighting solutions that support energy savings of up to 50%.

The carbon footprint generated by the segment was 1,449 tCO2e (2017/18 – 1,064 tCO2e), which was 18% of the Group's total carbon emission. The intensity ratio of carbon emission to one million rupee revenue is 0.33 tCO2e (2017/18 – 0.23 tCO2e).

Key Highlights of the Year

- Secured the market leadership in LED lights by recording a growth more than 50% in sales.
- Celebrating 120th birth year of the Michelin man; the brand identity of Michelin tyres all over the world
- Introducing emergency bulbs from DIMO LED for the first time in Sri Lanka with an extended illumination time.
- Entering the two-wheel vehicle segment of the tyre market
- Forming strategic partnerships with world-renowned brands; BF Goodrich tyres and STHIL power tools

CONSTRUCTION AND MATERIAL HANDLING EQUIPMENT

Sale and service of earth moving machinery, road construction machinery, fork-lifts, racking systems, cranes, pumps, concrete batching plants, compressors and warehouse equipment

PERFORMANCE HIGHLIGHTS

KPI	2018/19	2017/18	2016/17	2015/16	2014/15
Revenue (Rs. million)	1,984	2,671	2,581	1,559	1,749
Contribution to the Group's revenue (%)	5	6	6	4	6
Segment results (Rs. million)	263	335	206	170	201
Contribution to the Group's segment results (%)	9	10	10	5	8
Customer Satisfaction Index (%)	91	92	88	90	88
Number of employees	102	95	97	106	78
Carbon emission (tCO2e) to generate one million rupee turnover	0.25	0.18	0.19	0.26	0.21
Water consumption (M3) to generate one million rupee turnover	3.49	2.47	4.48	6.03	3.48
Energy consumption (GJ)) to generate one million rupee turnover	5.52	4.38	2.27	2.88	2.42

SEGMENT REVENUE

RS. 1,984 MN

In 2017/18: Rs. 2,671 Mn

SEGMENT RESULT

RS. 263 MN

In 2017/18: Rs. 335 Mn

CUSTOMER SATISFACTION INDEX

91%

In 2017/18: 92%

KEY MACROECONOMIC IMPACTS DURING THE YEAR

- The construction activities recorded a 2.1% contraction
- An observable reduction in credit granted by Licenced Commercial Banks to the private sector, reducing private sector investments
- Delayed investment decisions due to the uncertainty prevailed in the domestic market
- Increase in interest rate (AWPLR) from 11.5% as at 31st March 2018 to 12.23% as at 31s March 2019
- Depreciation of rupee against dollar

FOCUS AREAS FOR 2019/20

- Seeking business opportunities in the area of operating leases of construction machinery
- Expanding the market scope to Maldives and Myanmar
- Improving awareness of the automated storage and retrieval systems
- Increased marketing efforts to expand full maintenance contracts

SEGMENT PERFORMANCE

Unfavourable market conditions led to a reduction in revenue

The segment reported a revenue of Rs. 1,984 million (2017/18 – 2,671 million), contributing 5% (2017/18 – 6%) to the Group's total revenue. The revenue of the segment saw a 26% reduction compared to last year. The reduction in revenue was mainly due to the decline in demand for construction machinery equipment in storage handling equipment owing to the visible drop in investments in construction industry. However revenue from full maintenance contracts saw an increase during the year.

The segment's results for the year decreased from Rs. 335 million last year to Rs. 263 million, recording a 21% decrease. Segment results contributed to the Group's segment result by 9% (2017/18 – 10 %).

SOCIAL AND ENVIRONMENTAL IMPACT

The business segment recorded total water consumption of 6,924 M3 during the year (2017/18 – 6,603 M3) at an intensity of 3.49 M3 to generate one million rupee turnover (2017/18 – 2.47 M3). Increase in water consumption is due to the increased operation in full maintenance contracts.

The segment consumed 2.52 GJ of energy to generate one million rupee turnover (2017/18 – 4.38 GJ). The total energy consumption came to 4,998 GJ (2017/18 – 5,179 GJ). With the introduction of Hybrid excavators, the segment expects a decline in its indirect contribution to energy consumption and the carbon emissions.

The carbon footprint generated by the segment was 492 tCO2e (2017/18 – 486 tCO2e), contributing 6% of the Group's carbon foot print. The intensity ratio of carbon emission to one million rupee revenue is 0.25 tCO2e (2017/18 – 0.18 tCO2e).

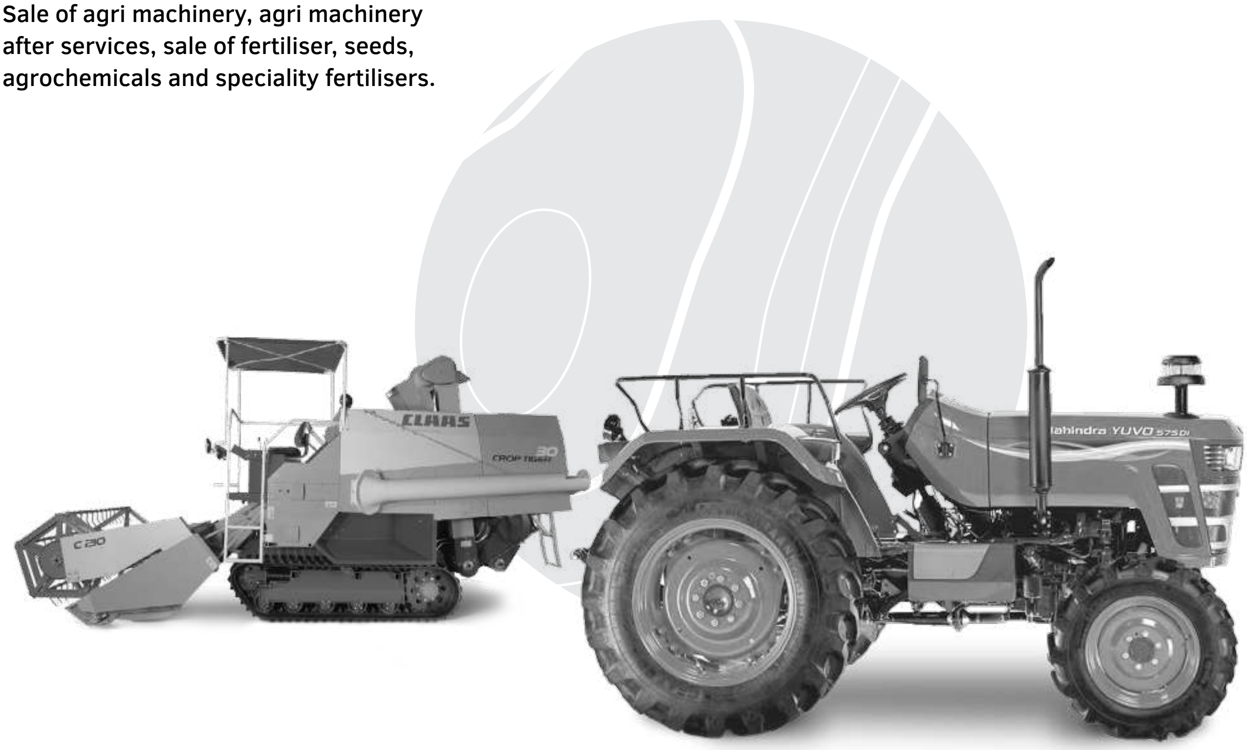
The segment, as at 31st March 2019, provided direct employment to 102 persons (95 as at 31st March 2018). Monetised value distributed among them were Rs. 181 million during the year (2017/18 – Rs. 185 million).

Key Highlights of the Year

- Installing a complete warehousing solution; a selective racking system with 38,000 pallet locations and 22,000 pallet locations at Logiwiz (Pvt) Ltd and Spectra Logistics, respectively.
- Installing one of the largest building maintenance units in the region; a 31m outreach telescopic system with 190m height to Pearl Grand Hotel Tower.
- Introducing advanced hybrid excavators for the first time in Sri Lanka.
- Installing an extra large crane at Colombo Dockyard.

AGRICULTURE

Sale of agri machinery, agri machinery after services, sale of fertiliser, seeds, agrochemicals and speciality fertilisers.



PERFORMANCE HIGHLIGHTS

KPI	2018/19	2017/18	2016/17
Revenue (Rs. million)	4,153	3,316	1,805
Contribution to the Group's revenue (%)	11	8	4
Segment results (Rs. million)	307	121	201
Contribution to the Group's segment results (%)	10	4	6
Customer Satisfaction Index (%)	84	83	89
Number of employees	241	220	54
Carbon emission (tCO2e) to generate one million rupee turnover	0.25	0.20	0.15
Water consumption (M3) to generate one million rupee turnover	1.53	1.42	0.09
Energy consumption (GJ)) to generate one million rupee turnover	3.45	2.31	2.00

Note – Operations related to agriculture was identified as a separate business segment from financial year 2017/18

SEGMENT REVENUE

RS. 4,153 MN

In 2017/18: Rs. 3,316 Mn

SEGMENT RESULT

RS. 307 MN

In 2017/18: Rs. 121 Mn

CUSTOMER SATISFACTION INDEX

84%

In 2017/18: 83%

KEY MACROECONOMIC IMPACTS DURING THE YEAR

- The favourable weather conditions prevailed in major cultivation areas
- Re-introduction of the fertiliser subsidy scheme, imposing quota limitations on importers
- 4.8% growth in value added by the agriculture sector
- 10.7% increase in agriculture production index which measures the output of the agriculture and fisheries sectors

FOCUS AREAS FOR 2019/20

- Enhancing awareness about efficient agricultural equipment, technologically advanced irrigation systems and green houses
- Promoting sustainable farming
- Strengthening agri research conducted on high-tech seeds and fertilisers
- Improving market share in agri machinery sales

SEGMENT PERFORMANCE

Improved performance in agriculture operations

With the recovery of the national agriculture sector, the segment also recorded a revenue increase of 25% from Rs. 3,316 million last year to Rs. 4,153 million this year. The segment thus contributed 11% to the Group's total revenue compared to the 8% contribution last year. The increased revenue arose mainly from revenue contributions from PlantChem (Private) Limited and Plant-Seeds (Private) Limited, both 51% owned subsidiaries of the Group. 2018/19 was also the first year in which we consolidated the results of these subsidiaries for a full year, after their acquisition in February 2018. The sale of agri machinery also saw an increase as a result of increased demand due to favourable market conditions. However the contribution from fertiliser sales was limited due to the government quota system imposed in April 2018.

The segment results for the year grew from Rs. 121 million last year to Rs. 307 million this year, recording a 153% increase. This made up 10% of the Group's total segment result (2017/18 – 4%).

SOCIAL AND ENVIRONMENTAL IMPACT

Pesticides sold for crop protection involve a high level of health and safety concerns for customers, employees and the public. PlantChem (Private) Limited, which imports and sells this product category, employs a quality management system and a health and safety management system that manage and minimise the risk posed by the health and safety hazards. These two management systems are ISO 9001:2015 and OHSAS 18001:2007 accredited, respectively.

As at 31st March 2018, the segment was providing 241 job opportunities (2017/18 – 220) around the Island.

The segment consumed 6% of the total water consumption of the Group, a consumption of 6,340 m3 (2017/18 – 4,791 m3) which is 1.53 m3 to generate one million rupee turnover (2017/18 – 1.42m3).

The segment consumed 3.45 GJ to generate one million rupee turnover (2017/18 – 2.31 GJ). The total energy consumption amounted to 14,339 GJ (2017/18 – 7,824 GJ).

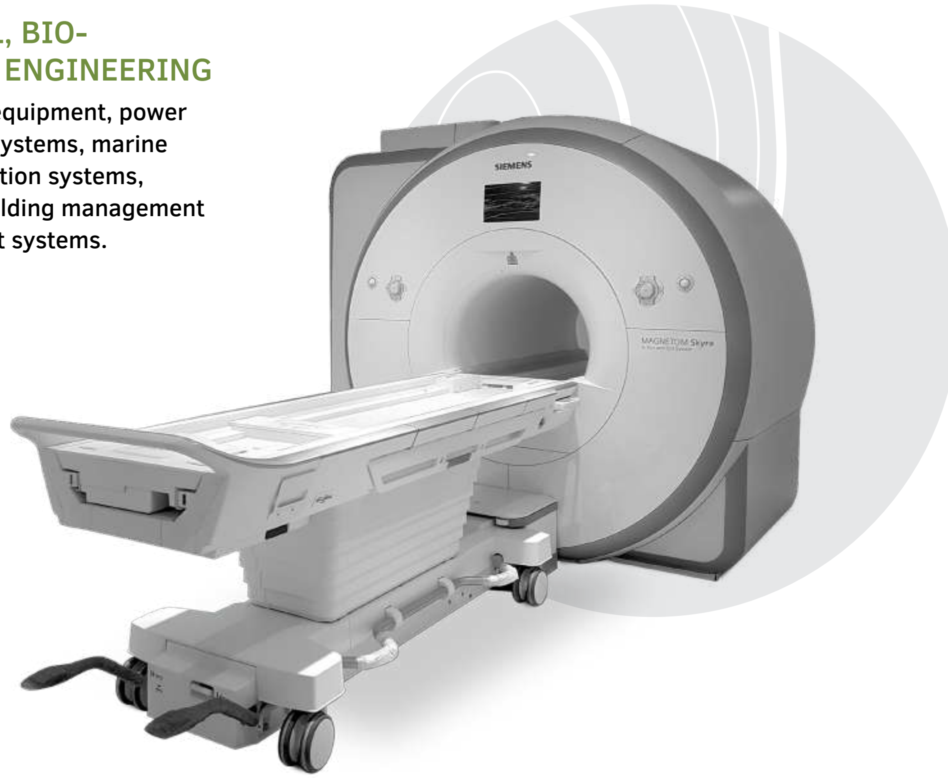
The carbon footprint generated by the segment was 1,058 tCO2e (2017/18 – 667 tCO2e), which is made up 13% of carbon emissions of the Group's total. The intensity ratio of carbon emissions to one million rupee revenue is 0.25 tCO2e (2017/18 – 0.2 tCO2e). The increase in carbon emissions is due to the accumulation of carbon foot print generated from newly-acquired ventures of the segment.

Key Highlights of the Year

- Introducing CLAAS Jaguar – a self-propelled state-of-the-art forage harvester built by German agricultural machinery manufacturing giant, CLAAS.
- Partnership with Penergetic International AG; a world leader in sustainable agri solutions.
- The opening of DIMO Agri Techno Park (DIMO ATP) located in Dambulla to conduct research related to agri inputs such as seeds, crops and hybrid seeds.

ELECTRO MECHANICAL, BIO-MEDICAL AND MARINE ENGINEERING

Sale and aftercare of medical equipment, power engineering solutions, power systems, marine engineering solutions, rail traction systems, power generation systems, building management systems and fluid management systems.



PERFORMANCE HIGHLIGHTS

KPI	2018/19	2017/18	2016/17	2015/16	2014/15
Revenue (Rs. million)	3,196	2,603	2,721	2,168	1,771
Contribution to the Group's revenue (%)	8	6	6	6	7
Segment results (Rs. million)	366	261	200	278	152
Contribution to the Group's segment results (%)	12	8	6	9	6
Customer Satisfaction Index (%)	98	94	97	92	93
Number of employees	240	180	178	144	160
Carbon emission (tCO2e) to generate one million rupee turnover	0.18	0.17	0.15	0.21	0.25
Water consumption (M3) to generate one million rupee turnover	1.78	1.91	5.32	4.55	4.39
Energy consumption (GJ)) to generate one million rupee turnover	2.00	1.94	1.82	2.18	2.74

SEGMENT REVENUE

RS. 3,196 MN

In 2017/18: Rs. 2,603 Mn

SEGMENT RESULT

RS. 366 MN

In 2017/18: Rs. 261 Mn

CUSTOMER SATISFACTION INDEX

98%

In 2017/18: 94%

KEY MACROECONOMIC IMPACTS DURING THE YEAR

- Value added by the electricity, water and waste treatment activities to the national output grew by 4.7% in 2018
- Growth in health sector capital expenditure by the government sector to Rs. 37.9 billion in 2018 from Rs.35.5 billion in 2017
- Number of registered private hospitals grew from 181 in 2017 to 200 in 2018
- Construction activities recorded a 2.1% contraction

FOCUS AREAS FOR 2019/20

- Focusing on obtaining CIDA – 1 certification for civil construction
- Increasing business activity in Myanmar, Maldives and Uganda, in this business segment
- Strengthening the market share of the elevator and escalator business
- Expanding product and service portfolio by collaborating with business partners

SEGMENT PERFORMANCE

Improved performance in the electro mechanical, bio-medical and marine engineering operations

The segment recorded a 23% increase in revenue from Rs. 2,603 million to Rs. 3,196 million. The increase was supported by improved performances in the power engineering solutions, and medical engineering solutions business which recorded revenue increases of 86% and 23% respectively. The segment contributed to the Group's revenue by 8% (2017/18 – 6%). Escalators and elevators, which made their entry into the segment's portfolio last year, recorded notable growth during the year by recording Rs. 46 million in revenue.

Similarly, the segment results for the year also increased from Rs. 261 million last year to Rs. 366 million this year, recording a 35% increase. Segment result contributed to the Group's total result by 12% (2017/18 – 8%).

SOCIAL AND ENVIRONMENTAL IMPACT

The sophisticated engineering solutions and equipment sold by the segment carry health and safety hazards. This is why we only source our products from world renowned brands such as Siemens and employ internationally-recognised technology. A further source of assurance in this regard is the Group's ISO 9001:2015 certified quality management system.

The segment utilised 5,700 M3 water (2017/18 – 4,978 M3) for its operation during the year. Water consumed to generate one million rupee turnover was 1.78 M3 (2017/18 – 1.91 M3). This was 5% out of total water consumed by the Group.

The energy consumption of the segment was 6,405 GJ which was a 27% increase compared to last year consumption of 5,036GJ. The energy consumed to generate one million rupee turnover was 2.00 GJ (2017/18 – 1.94 GJ).

The segment generated 590 tCO2e in its operations (2017/18 – 433 tCO2e) and 0.18 tCO2e of energy to generate one million rupee turnover (2017/18 – 0.17 tCO2e).

The segment as at 31st March 2019 was providing direct employment to 240 number of persons (2017/18 – 180) and has distributed Rs. 478 million (2017/18 – Rs. 388 million) monetised resources among them.

Key Highlights of the Year

- Partnering with Vestas; global partner in sustainable energy solutions, to execute 100 MW wind power project in Mannar. This is the country's first large-scale wind park.
- Securing a 150MVar Variable Shunt Reactor Project in Anuradhapura and Mannar, and 100MVar Breaker Switched Capacitor Bank at Pannipitiya through a consortium bidding with Siemens, India.
- Obtained CIDA-2 certificate to conduct civil engineering content of power engineering and fluid management contracts.
- Introducing CLARUSTM 500; the next generation ultra-wide field fundus imaging system from Carl Zeiss, used in opthalmology
- Appointed as the sole distributor, installer and service provider in Sri Lanka and Maldives for Thyssenkrupp Elevator, a global leader in elevators and escalators from Germany.
- Being recognised as a 'Solution Gold Partner' by Axis; a Sweden-based security equipment company with presence in more than 50 countries around the world.

OVERVIEW OF THE OPERATING CONTEXT

INDICATOR	MEASURE	IMPACT TO DIMO
GDP growth rate	The Sri Lankan economy recorded a growth of 3.2% in real terms for the year 2018, compared to the growth of 3.4% in 2017.	A lower GDP growth rate leads to declining business sentiments, while negatively impacting the performance of the Group, especially sales of equipment of a capital nature.
Interest rates	The Average Weighted Prime Lending Rate (AWPR) increased to 12.23% as at the end of March 2019 compared to 11.55% in the preceding year.	Interest rates impact on DIMO in two ways. Higher borrowings costs may reduce demand for the motor vehicles and other capital equipment that we sell. Secondly, it has a direct bearing on the Group's cost of funding.
Inflation rate	The overall rate of inflation, as measured by the National Consumer Price Index (NCPI) on a year on year basis was 5.8% as at the end of March 2019 (1.9% as at 31st March 2018) and the Annual average inflation rate was 3.3% (3.6% in 2018).	By boosting households' "disposable income" due to lower inflation, higher spending will be encouraged. Low inflation may also make it less likely that the Central Bank will raise policy rates
Depreciation of the LKR	The Rupee depreciated against the US Dollar to Rs. 176.13 as at the end of March 2019 compared to Rs. 155.97 in the previous year. The Euro was Rs. 197.80 as at the end of March 2019 compared to Rs. 192.22 in the preceding year.	The depreciation of the Rupee against the USD and Euro has a material impact on Group transactions denominated in these currencies. It increases the price of the products that we import and thereby negatively affects the demand for our products.
New Motor vehicle registrations	New registration of buses, dual purpose vehicles, goods transport vehicles and land vehicles recorded a drop of 30%, 4%, 28% and 23% respectively.	The number of new motor vehicles registered is an indicator of the market size and the potential for Motor vehicle sales.
Transportation sector growth	The transportation sector grew by 2.8% in 2018, albeit at a slower rate, compared to 3.2% growth in 2017.	Transportation sector growth has a direct impact on the Vehicle segment, Aftercare segment and the Marketing and Distribution segment.
Construction sector growth	The construction sector contracted by 2.1% in 2018 compared to an expansion of 4.3% in 2017. The subdued performance of large-scale construction activities during the year, slowed down the overall construction sector.	The growth in this sector is an indicator of the of the market potential for construction and material handling related businesses and for demand for commercial vehicles.
Health sector capital expenditure	Health sector capital expenditure increased to Rs. 37.9 billion in 2018 from Rs. 35.5 billion in 2017.	Capital expenditure of the Government in the health sector and private sector
Industrial sector growth	The industrial sector grew marginally by 0.9% in 2018, compared to 4.1% recorded in 2017. This slowdown in the Industrial sector was mainly attributable to the contraction in construction and mining activities.	The Industrial sector comprises activities relating to mining, manufacturing, utility and construction industries. Industrial sector growth thus affects the demand for capital nature products and solutions offered by DIMO.
Water and electricity	Total electricity generation increased by 4.0% to 15,255 GWh in 2018, from 14,671 GWh in the preceding year. During 2018, the National Water Supply and Drainage Board (NWS&DB) provided 109,482 new water supply connections registering a 4.9% increase in total number of water connections over 2017.	Government investment in water and electricity has an impact on the fortunes of the power engineering and fluid management businesses.
Agricultural sector growth	Reinforced by favourable weather conditions, the agriculture sector recovered in 2018 and registered a growth of 4.8% compared to the contraction of 0.4% in 2017.	The growth in this sector impacts the performance of agriculture related activities.

Gearing for future value creation

This section provides information that will help the reader to assess how well we have positioned ourselves to deliver on our promises.

A STRUCTURE THAT DRIVES PERFORMANCE AND ACCOUNTABILITY

Accountability • Stewardship • Governance • Strategy

A BALANCED, SKILLED AND EXPERIENCED BOARD

A.R. PANDITHAGE
Chairman/Managing Director

Appointments at DIMO

Joined the Company in June 1973 and appointed to the Board in June 1977. 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

Board Committee Memberships: NC

Qualifications and Titles

Dip. Ing. (Germany), Member of the Institute of Engineers, Germany (VDI). Recipient of Order of Merit of the Federal Republic of Germany

Expertise

Engineering and leadership

A.G. PANDITHAGE
Director/Group Chief Executive Officer

Appointments at DIMO

Joined the Company in September 1986 and appointed to the Board in December 1995.Appointed as the Deputy Chief Executive Officer with effect from April 2006 and as Group Chief Executive Officer from April 2012 to date.

Qualifications and Titles

Fellow member of the Chartered Institute of Management Accountants UK (CIMA). Alumni of Harvard Business School Advance Management Programme (AMP).

Expertise

Finance and leadership

A.N. ALGAMA
Executive Director

Appointments at DIMO

Joined the Company in June 1973 and appointed to the Board in November 1984.

Expertise

Over 46 years of exposure to DIMO's key areas of business.

S.C. ALGAMA
Executive Director

Appointments at DIMO

Appointed to the Board in November 1984. A member of the Board in a Non-Executive capacity from November 1984 to 1994 and appointed as an Executive Director in 1994. Appointed as Managing Director of DIMO (Pvt) Ltd from April 2009.

Qualifications and Titles

Fellow of the Institute of Incorporated Engineers (SL).

Expertise

Engineering

DR. H. CABRAL
Independent Non-Executive Director

Appointments at DIMO

Appointed to the Board in October 2006.

Board Committee Memberships: NC, RC, AC, RPTRC

Qualifications and Titles

President's Counsel in Sri Lanka, Doctorate in Corporate Law from University of Canberra, Australia. Sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris. A Member of the Law Commission of Sri Lanka and a member of the Intellectual Property Advisory Commission in Sri Lanka.

Expertise

Law

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

Appointments at DIMO

Joined the Company in January 2001 and appointed to the Board in April 2006.

Qualifications and Titles

Fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL), Holder of MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

Expertise

Finance

M.V. BANDARA
Executive Director

Appointments at DIMO

Joined the Company in February 1995 and appointed to the Board in June 2016.

Qualifications and Titles

Postgraduate certificate holder from the University of Southern Queensland, Australia. Possesses a Diploma in Business Management from the University of Colombo.

Expertise

Marketing and sales

P.K.W. MAHENDRA

Executive Director

Appointments at DIMO

Joined the Company in July 2006 and appointed to the Board in June 2016.

Qualifications and Titles

Holder of a Bachelor's Degree from the University of Greenwich, UK

Expertise

Engineering

A.M. PANDITHAGE

Non-Executive Director

Appointments at DIMO

Appointed to the Board in September 1982.

Board Committee Memberships: NC, RC, AC, RPTRC

Qualifications and Titles

Fellow of the Chartered Institute of Logistics and Transport (UK), Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Honoured with Lifetime Achievement Award at Seatrade Sri Lanka Ports. Trade and Logistics, Life time award for most outstanding Logistics and Transport personality of the year – Chartered Institute of Logistics & Transport.

Expertise

Business leadership, logistics and transport

A.N. RANASINGHE

Director/Chief Marketing Officer

Appointments at DIMO

Appointed to Board in July 2017 as an Independent Non-Executive Director and appointed as an Executive Director in August 2018.

Qualifications and Titles

Chartered Marketer, FCIM (UK), A Chemistry Special Hons graduate from University of Colombo, Holder of MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura and a Professional Post Graduate Diploma in Marketing (DipM MCIM) from The Chartered Institute of Marketing, UK.

Expertise

Marketing and sales

S.R.W.M.C. RANAWANA

Executive Director

Appointments at DIMO

Joined the Company in November 2002 and appointed to the Board in June 2016.

Qualifications and Titles

Holder of MBA from Wanaborough University - UK and a Diploma in Business Management from SLBDC.

Expertise

Marketing and sales

R. SEEVARATNAM

Independent Non-Executive Director/ Senior Independent Director

Appointments at DIMO

Appointed to the Board in January 2007.

Board Committee Memberships: NC, RC, AC, RPTRC

Qualifications and Titles

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

Expertise

Finance, assurance

A.D.B. TALWATTE

Independent Non-Executive Director

Appointments at DIMO

Appointed to the Board in June 2016.

Board Committee Memberships: NC, RC, AC, RPTRC

Qualifications and Titles

Fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants (CIMA), UK Possesses Post-Graduate Diploma in Business and Financial Administration awarded by ICASL and the University of Wageningen, Holland and holder of MBA from University of Sri Jayewardenepura, Sri Lanka.

Expertise

Finance, assurance

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

Detailed Director profile including positions held in other companies & committees can be viewed from https://www.dimolanka.com/about-us/board-of-directors

A STRUCTURE THAT DRIVES PERFORMANCE AND ACCOUNTABILITY

A MANAGEMENT TEAM THAT PROVIDES EXCEPTIONAL LEADERSHIP

A.R. PANDITHAGE
Chairman/Managing Director

A.G. PANDITHAGE
Director/Chief Executive Officer

S.C. ALGAMA
Executive Director

M.V. BANDARA
Executive Director

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

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

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

D.N.K. KURUKULASURIYA
Chief Human Resources Officer

P.K.W. MAHENDRA
Executive Director

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

A.N. RANASINGHE
Executive Director/
Chief Marketing Officer

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

V. WICKRAMARATNE
Chief Operating Officer -
Marketing and Distribution

Skills and expertise of the GMC

- Engeenieering
- Business leadership
- Information technology
- Finance
- Sales and marketing
- Human resource management
- Business development

Key Focus Areas in 2019/20

- Inculcating DIMO corporate culture and code of ethics in newly-acquired ventures
- Business process re-engineering to improve efficiency and effectiveness
- Corporate brand re-positioning

THE BOARD'S ROLE IN RECOGNISING, ASSESSING AND CAPITALISING ON ATTRACTIVE OPPORTUNITIES THAT COMPLEMENT THE GROUP'S OVERALL ASPIRATION ENSURES THE GROUP'S LONG TERM SUSTENANCE AND SUCCESS. IN THIS SPIRIT, THE BOARD PROVIDES BUSINESS LEADERSHIP BY FORMULATING REQUISITE STRATEGIES TO DIRECT THE GROUP TO ITS DESIRED ASPIRATION.

A FRAMEWORK THAT REFLECTS OUR COMMITMENT TO ACCOUNTABILITY AND TRANSPARENCY

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

Figure 05: Governance framework

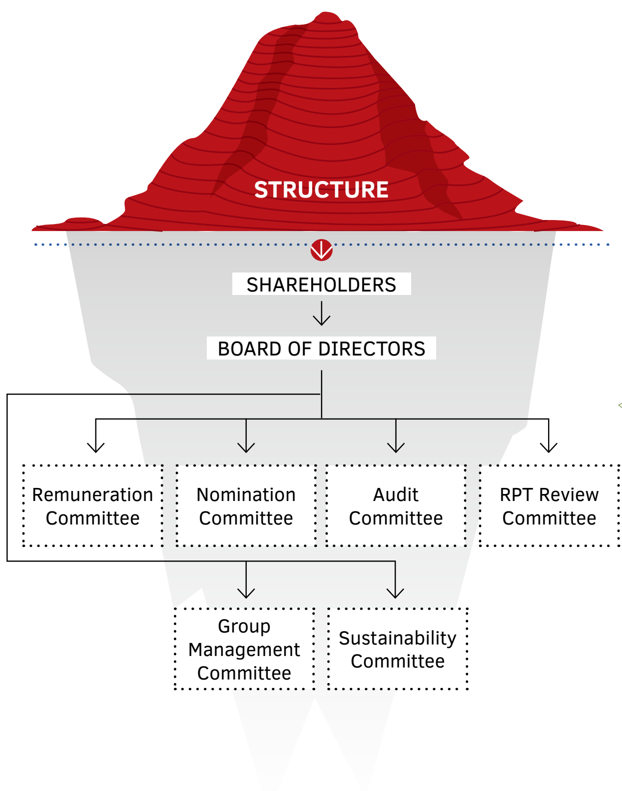
Compliance and Adherence

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

A STRUCTURE THAT DRIVES PERFORMANCE AND ACCOUNTABILITY

The purpose of the governance framework depicted in Figure 05 is to establish a point of reference that ensures achieving of desired results. Table 02 elaborates how the governance framework facilitates the successful execution of value creation through its carefully implemented point of references.

Table 02: Creating value through governance

Aspects related to value creation	Key conformance aspects	Point of reference
Maintaining a strong financial position that stimulates long-term growth	Internal controls and internal audits to govern monetised resource allocation and utilisation	Audit Committee
	Managing uncertainties pertaining to monetised resources	Risk Management Framework
	Assurance on successful application of internal controls	Audit Committee
		Independent Auditors
Fostering long-term customer relationships	Ethical marketing	ISO 9001:2015 accredited Quality Management System
	Customer health and safety	ISO 9001:2015 accredited Quality Management System
	Customer privacy	ISO 9001:2015 accredited Quality Management System
Developing an engaged, agile and innovative pool of talent	Employee safety	ISO 9001:2015 accredited Quality Management System and SA 8000 accredited Social Accountability Management System.
		SA 8000 accredited Social Accountability Management System
	Employee rights	Code of Business Ethics and SA 8000 accredited Social Accountability Management System
	Equal opportunities	UN Global Compact Principles and SA 8000 accredited Social Accountability Management System
	Reducing gender inequality	SA 8000 accredited Social Accountability Management System
	Compliance with legislation and regulations relating to employees	Code of Business Ethics and SA 8000 accredited Social Accountability Management System
Being a foremost and sought-after corporate in Sri Lanka to form strategic business partnerships	Compliance with principals' requirements of ethical practices	ISO 9001:2015 accredited Quality Management System
	Honouring agreements with principals	ISO 9001:2015 accredited Quality Management System
Positioning DIMO brand	Enhancing and preserving the reputation by aligning employee behaviour with the values set forth in DIMO's corporate strategy.	Code of Business Ethics

Aspects related to value creation	Key conformance aspects	Point of reference
	Harnessing public trust by adopting best practices relating to governance and sustainability.	Code of Best Practice on Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka
		CSE Listing Rules
		Articles of Association
		GRI Standards for sustainability reporting
	Strengthening customer trust by ensuring data security and customer privacy.	ISO 9001:2015 accredited Quality Management System
Being responsible along the value chain	Complying with all requirements of the Environment Management System	ISO 14001:2015 accredited Environmental Management System
	Meeting legal and regulatory requirements regarding the environment	ISO 14001:2015 accredited Environmental Management System
		UN Global Compact Principles
		Code of Business Ethics
	Anti-corruption	Code of Business Ethics
	Responsible corporate behaviour	UN Global Compact Principles
	Ensuring that all taxes are paid accurately and on time	Legislative enactments appropriate to the Group
	Meeting regulatory standards with regard to products and services	ISO 9001:2015 accredited Quality Management System
	Meeting regulatory standards and being ethical when performing supply chain activities	Code of Business Ethics
	Product responsibility	ISO 9001:2015 accredited Quality Management System
Proactively managing material aspects that affect value creation	Risk identification, evaluation and management	Audit Committee
		Internal Controls
		Internal and External Audits

Board of Directors

Board balance and its independence

The Board consisted of 13 members throughout the financial year 2018/19. The Directors bring a range of diverse skills, expertise and competencies to the Board to facilitate the effective discharge of Board responsibilities. Among the main areas of expertise and knowledge possessed by the Board are engineering capabilities, strategic business acumen, financial expertise, governance and law. The Board also enjoys the services of four qualified accountants who provide financial acumen and knowledge relating to matters of finance.

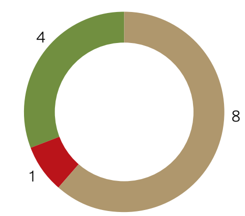
All Directors must, by duty, act with independence of mind and in the best interests of the Company. This mandate is enhanced by the presence of four Non-Executive Directors, of whom three are Independent Directors. Mr. A.N. Ranasinghe, who was an Independent Non-Executive Director as at 31st March 2018, was appointed as an Executive Director of the Company with effect from August 2018.

Rule No. 7.10.3 of the listing rules of the Colombo Stock Exchange requires that an explanation be provided in the event 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 Independent Directors. The required explanation is given on pages 94 to 97 in the Annual Report of the Board of Directors.

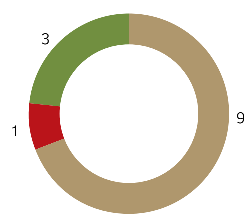
Brief profiles of the members of the Board are given on pages 40 to 41

A STRUCTURE THAT DRIVES PERFORMANCE AND ACCOUNTABILITY

Graph 02:
Independence of Directors from 1st April 2018 to 31st July 2018



Graph 03:
Independence of Directors from 1st August 2018 to 31st March 2019



The Chairman, Mr. A.R. Pandithage, who carries the designation 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, and that the dual role of Executive Chairman does not compromise the principles of good corporate governance. The presence of three Independent Non-Executive Directors, including the Senior Independent Director Mr. R. Seevaratnam, ensures that no single individual has unfettered powers of decision making, permitting independent judgement over good governance and the conduct of business in the best interests of stakeholders.

Board meetings

Attendance of Directors at Board meetings is one of the indicators of their active participation in decision making. Table 03 sets out details of Directors' appointments and attendance at Board meetings.

Table 03: Individual Directors Active Participation in Decision Making

Board Member	Appointment to the Board		Position	Attendance at meetings
	First	Re-election/ Re-appointment		
A.R. Pandithage	Jun-77	Jun-18	Chairman/Managing Director	6/6
A.G. Pandithage	Dec-95	Jun-18	CEO /Director	6/6
A.N. Algama	Nov-84	Jun-18	Executive Director	3/6
S.C. Algama	Nov-84	Jun-17	Executive Director	6/6
M.V. Bandara	Jun-16	Jun-17	Executive Director	6/6
Dr. H. Cabral	Oct-06	Jun-17	Independent Non-Executive Director	3/6
B.C.S.A.P. Gooneratne	Apr-06	Jun-17	Director/Chief Financial Officer	6/6
P.K.W. Mahendra	Jun-16	Jun-17	Executive Director	6/6
A.M. Pandithage	Sep-82	Jun-18	Non-Executive Director	6/6
A.N. Ranasinghe	July-17	Jun-18	Executive Director/Chief Marketing Officer	4/6
S.R.W.M.C. Ranawana	Jun-16	Jun-17	Executive Director	5/6
R. Seevaratnam	Jan-07	Jun-18	Senior Independent Director	6/6
A.D.B. Talwatte	Jun-16	Jun-17	Independent Non-Executive Director	6/6

Table 04: Attendance of Executive Directors and Non-Executive Directors at the Board Meetings held during the year

Board Meeting Date	Gap Between Meetings (days)	Attendance			
		Executive Directors	Non-Executive Directors	Independent Non-Executive Directors	Total Number of Directors attended
19/05/2018	50	8	1	3	12
25/05/2018	6	7	1	3	11
01/08/2018*	68	8	1	3	12
14/11/2018	105	8	1	3	12
15/02/2019	93	7	1	3	11
22/03/2019	35	8	1	2	11

* Mr. A.N. Ranasinghe, who was an Independent Non-executive Director as at 31st March 2018, was appointed as an Executive Director of the Company w.e.f August 2018

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 by way of an evaluation questionnaire filled by each Director. For the financial year 2018/19, the Board performance evaluation were submitted by the members at the Board meeting held on 25th May 2018.

Performance evaluation of Executive Directors and their remuneration

The performance of the Chairman, who plays an executive role, is appraised by the Non-Executive Directors annually. Individual Directors are also assessed annually by evaluating their performance against objectives linked to Corporate Strategy.

The Directors' remuneration is aligned to their performance and is attractive enough to motivate and retain Executive Directors. The Remuneration Committee is responsible for suggesting and approving remuneration for Executive Directors. The report of the Remuneration Committee is presented on page 57.

Directors' remuneration is disclosed on page 127.

Board Committees

Board Committees serve as an effective oversight mechanism that enhances the Board's monitoring of compliance and risk management. DIMO has four Board Committees, namely Audit Committee, Remuneration Committee, Nomination Committee and the Related Party Transaction Review Committee, each with its own terms of reference. With the exception of the Nomination Committee, the other three Board Committees, are mandated by the Listing Rules of the Colombo Stock Exchange and meet all criteria prescribed therein. All four committees comprise Non-Executive Directors except for the Nomination Committee, where the Chairman of the Board serves as a member.

The reports of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review Committee including the composition of each committee are available on pages 55 to 59.

Management Committees

The Group Management Committee (GMC) is a management committee entrusted with the execution of strategy and management of value creation. The members of the GMC is appointed by the Board and consists of Executive Directors and members of the senior management team. The composition of the Group Management Committee is given on page 42.

The Sustainability Committee is the management committee that has oversight over the Group's activities relating to the identification and management of economic, social and environmental impacts, and the achievement of objectives related to those areas. It consists of members of the management team including Executive Directors.

Refer page 55 to 59 for committee reports.

Compliance structure

The compliance and adherence section, depicted on the left of the governance framework on page 43, shows 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.

The framework classifies statutes, statutory documents and regulations under the "mandatory compliance" category while codes, best practices, management systems and control systems are classified under "voluntary adherence". The level of compliance to these mandates is discussed below.

Mandatory compliance

DIMO is compliant with the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, along with many other applicable legislative enactments. The Company is also compliant with the regulations issued by the Securities and Exchange Commission and the Listing Rules of the Colombo Stock Exchange. Table 05 and 06 show the level of compliance to each of above stated mandates.

Table 05: 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	112
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	106-164
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	102-105
168 (1) (d)	Accounting Policies and any changes therein	113-164
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	98
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	127
168 (1) (g)	Corporate donations made by the Company during the accounting period	127
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	40-41,179
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	127
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	95
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	94-97

Table 06: 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 13 Directors were Non-Executive Directors throughout the year.
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 throughout the year.
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.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
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 40 and 41.
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 94 and 97.
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 40 and 41.
7.10.3.(d)	Appointment of new Directors	A brief resume of any new Director appointed to the Board	Not applicable	This requirement is not applicable as there was no appointments to the Board during the year.
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 57
7.10.5.(a)	Composition of the Remuneration Committee	Shall comprise 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 57
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 57
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	Refer the Remuneration Committee Report on page 57
		b) Statement of Remuneration policy	Compliant	Remuneration policy is disclosed in Remuneration Committee Report on page 57
		c) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Refer Note No. 4.5 of Notes to the financial statements on page 127.
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 55 – 56.

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6.(a)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom are Independent	Compliant	Composition of the Audit Committee is available in the Audit Committee report presented on pages 55 – 56.
		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 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 in section 7.10.
7.10.6.(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of the Directors comprising the Audit Committee	Compliant	Refer the Audit Committee Report on pages 55-56.
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	The determination of Auditor's independence and the basis for such determination is disclosed in the report of the Audit committee from pages 55-56.
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Compliant	Refer the Audit Committee Report on pages 55-56.

Statements of responsibility

The Statement of Directors' Responsibility for Financial Statements setting out Directors' responsibility in preparing and presenting financial statements as per section 150 (1), 151, 152 and 153 (1) and (2) of Companies Act No. 07 of 2007 is presented on page 100.

Responsibility Statement of the Chairman, Chief Executive Officer and Chief Financial Officer recommended by the section four of Guidelines for Appointment of Auditors of Listed Companies, issued by Securities and Exchange Commission in 2008, is available on page 60.

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 days for the first three quarters and within two months for the last quarter from the end of the relevant quarter. The Audited Financial Statements for the year ended 31st March 2019 and the Audited Balance Sheet as 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 the 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 and/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 58 for the Related Party Transaction Review Committee Report.

Voluntary adherence

Voluntary adherence beyond mandatory compliance strengthens the Company's governance practices. Such voluntary adherence extends governance 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. Table 07 identifies the mandates with which we voluntarily comply, the aspect of regulation and the status of compliance during the year.

Table 07: Level of Compliance and Adherence

Voluntary Compliance	Aspect of Regulation	Status
The Code of Best Practices on Corporate Governance issued by 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, 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, Accountability and audit, shareholder/investor relations and communications, major and material transactions, financial reporting, internal control, code of business conduct and ethics, cyber security and ESG reporting are covered in the Code.	All requirements of the code and the compliance level are available on the Company's website at www.dimolanka.com/stewardship/ and forms a part of this Section.
Code of Business Ethics	Compliance requirements applicable to all employees relating to ethics.	All employees sign declarations to the effect that all requirements in the Code of Business Ethics 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 168 to 174. The Report obtained on the Independent Assurance of Non-Financial Reporting is available from pages 175 to 177. GRI materiality disclosure check is available on page 168.
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 ISO 14001:2015 certified 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 ISO 9001: 2015 certified , with certification provided by Det Norske Veritas AS (DNV).

The compliance levels with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka are available on Company's website at www.dimolanka.com/stewardship/ and forms a part of this Enterprise Governance Section.

A STRUCTURE THAT DRIVES PERFORMANCE AND ACCOUNTABILITY

Voluntary Compliance	Aspect of Regulation	Status
The ten principals of UN Global Compact	To comply with the requirements of the declaration made on the Ten Principles of the UN Global Compact covering Human Rights, Labour, Environment and Anti - Corruption.	Communication on progress is available online at www.dimolanka.com/sustainability/sustainability performance.
Sustainable Development Goals (SDG) set by United Nations	Participate in pursuing Sustainable Development Goals.	The Group's participation in pursuing sustainable development goals are disclosed from page 20 to 26 and 86 to 91.
Social Accountability Management System.	SA 8000: 2014 accredited Social Accountability Management System that prescribes the best practices in Social Accountability in areas such as child labour and forced labour, maintaining best practices related to health and safety of workers, freedom of association, eliminating discrimination, disciplinary practices, working hours and remuneration.	Complied. The Group's Social Accountability Management System is SA 8000:2014 Certified, 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 issued by The Institute of Chartered Accountants of Sri Lanka appears on page 99.

Refer page 8 to 16 for the strategy statement

Assurance structure

Assurance obtained for the Financial Statements and for non-financial information, Internal Audit and Independent Certifications are key sources comfort available with regard to the integrity and the due functioning of the Governance framework. These sources of reliability and comfort are depicted in the Governance framework appearing on page 43.

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 Messrs Ernst & Young – Chartered Accountants.

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

FORMULATING STRATEGY AND MANAGING VALUE CREATION

The Board's role in recognising, assessing and capitalising on attractive opportunities that complement the Group's overall aspiration ensures the Group's long term sustenance and success. In this spirit, the Board provides business leadership by formulating requisite strategies to direct the Group to its desired aspiration. The Board is also responsible for establishing mechanisms that ensure the successful implementation of such strategies. All investment decisions need to be presented to the Board for their assessment and necessary approvals need to be taken before implementing.

The Board has adopted the integrated thinking approach in its strategy formulation and implementation. The Board understands and acknowledges the need for active consideration of the relationships among various operating and functional units, and the resources the Company may use or affect. This leads to successful integrated decision making and actions that consider creation of value over the short, medium and long term.

Refer page 61 to 66 for more information on key risks identified and their mitigation actions

MANAGING RISKS

The Board is primarily responsible to ensure that risks are identified and appropriately managed across the Group. Audit Committee has the responsibility to review the effectiveness of the Group's risk management processes, including the systems established to identify, assess, manage and monitor risks.

The Board has in place an Environmental Management System, a Quality management system and a Social Accountability Management System that ensures day-to-day operational risks are managed and mitigated. These management systems are respectively, ISO 14001:2015, ISO 9001:2015 and SA8000 accredited.

A detailed analysis on how lines of defence in the management hierarchy ensure effective risk management and key risks that exceed Group's risk appetite can be read in the section on material aspects for value creation appearing on page 61 to 66.

CULTIVATION AND EXHIBITION OF ETHICAL CULTURE

The Board continuously promotes ethical behaviour of employees in carrying out business activities. The Board has institutionalised ethical behaviour by introducing a Code of Business Ethics that every employee must abide by. All employees sign a declaration to the effect that they will comply with the Code in its entirety. The Group's human resource policies, quality management systems, environmental management systems, social accountability policy, and performance management systems further ensure that all value creation activities are conducted responsibly.

PROMOTING INNOVATION

The Board places high value on innovation and pursues it relentlessly as it firmly believes that a company may grow to its full potential only through constant innovation. Our state of the art service centres islandwide, including DIMO 800 Mercedes-Benz Centre, are existing examples of this belief. We want to ensure that our customers have access to the best products and best after-sales services. We want to ensure that our employees have access to the latest technologies. DIMO will continue to provide the leadership that we have imparted to the automobile industry in this part of the world. Page 86 to 87 provide greater details about DIMO's contribution to the advancement of technology in Sri Lanka.

BALANCING STAKEHOLDER INTERESTS

The stewardship role played by the Directors demands that they act responsibly towards stakeholders. The Group Sustainability Committee is entrusted to put this mandate in to practice. Refer page 61 to 66 for more information on stakeholder engagement.

Refer page 61 to 66 for the stakeholder engagement process

Refer https://www.dimolanka.com/sustainability-performance/ for Comprehensive stakeholder engagement and material issue analysis process

A STRUCTURE THAT DRIVES PERFORMANCE AND ACCOUNTABILITY

SENIOR INDEPENDENT DIRECTOR'S STATEMENT

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

The presence of a SID provides a workable mechanism to review the role played by the Chairman. While the role of the Chairman entails providing leadership in observing best practices of corporate governance, 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 governance issues, if there are any. Further, I make myself available to any Director or any employee to have any confidential discussion on the affairs of the Company, should the need arise.

Mr. R. Seevaratnam
Senior Independent Director

Colombo
25th May 2019

REPORT OF THE AUDIT COMMITTEE

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 2019. Through this report I will share with you as to how the Audit Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

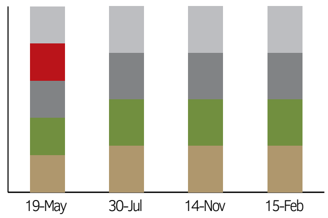
The Committee was established to assist the Board in fulfilling its oversight responsibility for the Company's' financial reporting system, compliance with legal and regulatory requirements, internal control mechanism, risk management process, internal audit function and review of Independence and performance of External Auditors, 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, duties and responsibilities of the Committee.

Figure 06: Duties and responsibilities of the audit committee

Graph 04:
Key areas covered during the year



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 to be included 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 Committee monitors and reviews;

- The annual audit plan
- The coverage of the audit plan
- The internal audit programmes and results of the internal audit process
- The follow-up action taken on the recommendation of the Internal Auditors
- Performance of the Group Chief Internal Auditor and concur with the annual compensation.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee reviewed and assessed the Company's risk management process including the adequacy of the overall control environment and controls in areas of significant risks. Key risks that exceeded the Group's risk appetite are presented from page 61 to 66.

The Committee is satisfied that an effective system of internal controls 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 Committee has 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 observation made by them.

The Committee has received a declaration from External Auditors, confirming that they do not have any relationships with or interest in the Company or its subsidiaries. The Committee has reviewed the non-audit services provided by the external auditors to safeguard their independence and objectivity.

The current auditors, Messrs KPMG, was initially appointed as the external auditors of the Company and continue

REPORT OF THE AUDIT COMMITTEE

to hold that position at present. A partner rotation of the auditors take place at periodic intervals and last rotation took place in the year 2017.

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

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 and a declaration by them that they will abide by them.

REPORTING

The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings, and by tabling the minutes of the Committee's meetings.

WHISTLE BLOWING, FRAUD AND NON-COMPLIANCE WITH LAWS AND REGULATIONS

Employees can raise any confidential matters pertaining to the accounting, internal controls and any Non-Compliance with Laws and Regulations (NOCLAR) to Chief Human Resources Officer, Group Chief Internal Auditor, Chief Executive Officer or the Chairman/ Managing Director. 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.

MEMBERS

The Committee, as at 31st March 2019, comprised following members;

Name	Category	MA
A.D.B. Talwatte	INED	4/4
R. Seevaratnam	INED	4/4
Dr. H. Cabral	INED	3/4
A.M. Pandithage	NED	4/4

INED - Independent Non-Executive Director
NED - Non-Executive Director
MA - Meeting Attendance

Mr. A.N. Ranasinghe, who was a member of the Audit committee as at 31st March 2018, was appointed as an Executive Director of the Company w.e.f 01st August 2018 and ceased to be a member of the Audit Committee from that date.

The Committee's composition met the requirement of the rule 7.10.6 of Listing Rules of the Colombo Stock Exchange.

MEETINGS

The Committee held four meetings during the financial year;

19th May 2018

30th July 2018

14th Nov 2018

15th Feb 2019

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 95 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
25th May 2019

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 2019. Through this report I will share with you as to how the Remuneration Committee worked towards discharging its responsibilities.

COMMITTEE'S PURPOSE

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

The Committee is committed to the principles of accountability and transparency and ensuring that remuneration arrangements align rewards 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.

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

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 value as per the business model. The Committee makes every endeavour to maintain remuneration levels that are sufficient to attract and retain Executives Directors and the members of the senior management team. 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. Further, the benefit packages awarded to Executive Directors and members of the Group Management Committee are intended to be competitive and comprise a mix of fixed and variable return. The variable remuneration is linked to group's profitability.

Components of the Executive Directors' Remuneration

Fixed Remuneration (Basic Salary and Fringe Benefits)	Variable remuneration

Post-Employment benefit

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

The Company does not have an employee share option scheme for members of the Board, who are considered as Key Management Personnel (KMP). The Articles of Association does not contain a shareholding guideline for a KMP.

MEMBERS

The Committee, as at 31st March 2019, comprised of the following members;

Name	Category	MA
Dr. H. Cabral	INED	3/3
Mr. R. Seevaratnam	INED	3/3
Mr. A. D. B. Talwatte	INED	3/3
Mr. A.M. Pandithage	NED	3/3

INED – Independent Non-Executive Director
NED - Non-Executive Director
MA - Meeting Attendance

The Committee's composition met the requirements of the rule 7.10.5 of Listing Rules of the Colombo Stock Exchange.

MEETINGS

4th May 2018 | 25th May 2018 | 25th July 2018

The Committee held three meetings during the financial year and covered following key areas during the meetings;

- Remuneration of Chairman/ Managing Director, CEO, other Executive Directors and members of the Group Management Committee.
- Incentives to personnel stated above.

DIRECTORS' EMOLUMENTS

The Directors' emoluments are disclosed in Note 4.5 on page 127.

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of performance of the Committee was carried out by the Board during the year and the outcome of the evaluation is given on page 95 in the Annual Report of the Board of Directors.

Dr. H. Cabral
Chairman - Remuneration Committee

Colombo
25th May 2019

REPORT OF THE 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 2019. 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 was established to advice the Board in relation to transactions with the related parties as defined by LKAS 24. The Committee also exercises 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 ("the Code") issued by the Securities and Exchange Commission of Sri Lanka. The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

TERMS OF REFERENCE

The Committee is governed by the written terms of reference, approved by the Board of Directors, which is carefully designed to discharge the Committee's purpose, duties and responsibilities. The Committee's duties and responsibilities are set out in accordance with requirements stipulated by the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka (the "Code"), regulations issued by the Colombo Stock Exchange ("The CSE Rules") and LKAS 24.

During the year, the Committee acted within the parameters set by its terms of reference.

POLICIES AND PROCEDURES

The Company identifies related parties as defined by LKAS 24. The members of the Board of Directors of the Company have been identified as Key Management Personnel (KMP).

In accordance with the Related Party Transaction Policy, declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them in any company where they hold office. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

MEMBERS

The Committee, as at 31st March 2019, comprised of the following members;

Name	Category	MA
Mr. R. Seevaratnam	INED	4/4
Dr. H. Cabral	INED	3/4
Mr. A. D. B. Talwatte	INED	4/4
Mr. A.M. Pandithage	NED	4/4

INED – Independent Non-Executive Director
NED - Non-Executive Director
MA - Meeting Attendance

The Committee's composition met the requirements of the rule 9.2.2 of Listing Rules of the Colombo Stock Exchange.

Mr. A.N. Ranasinghe, who was member of the committee as at 31st March 2018, was appointed as an Executive Director of the Company w.e.f. 1st August 2018 and ceased to be a member of the Committee from that date.

MEETINGS

The Committee held four meetings during the financial year;

19th May 2018
30th July 2018
14th Nov 2018
15th Feb 2019

RELATED PARTY TRANSACTIONS DURING THE YEAR

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 4.30 to the Financial Statements.

The activities and observations of the Committee are communicated to the Board.

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of performance of the Committee was conducted by the Board during the year and the outcome of the evaluation is given on page 95 in the Annual Report of the Board of Directors.

DECLARATION BY THE BOARD

A declaration is given by the board in the Annual Report of the Board of Directors on pages 94 to 97 as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered by the Company during the year.

R. Seevaratnam

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

Colombo
25th May 2019

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 2019. 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 was established to review the structure and composition of the Board and make recommendations to the Board on all new Board appointments. The Committee is charged with ensuring that the Board possesses the correct mix of expertise for its effective functioning and assessing the Board composition to ascertain whether the combined knowledge, skills and experience of the Board matches the strategic demands facing the Company.

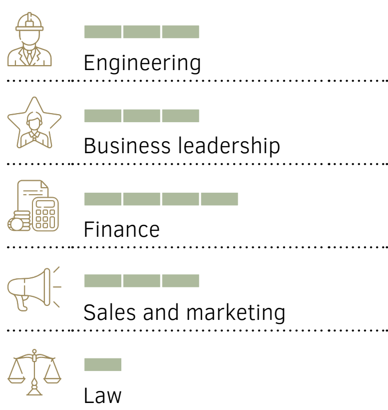
TERMS OF REFERENCE

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

The Committee has acted within the parameters set by its terms of reference including following;

- Review the structure, size, composition and competencies of the Board
- Evaluate the independence of the Non- Executive Directors and performance of the Board
- Review the process for succession planning to ensure that the Board has the correct balance of individuals to discharge its duties effectively
- That no member of the Nomination Committee is involved in deciding his own appointment.

Area of expertise of Directors



MEMBERS

The Committee, as at 31st March 2019, comprised of the following members;

Name	Category	MA
Dr. H. Cabral	INED	0/1
Mr. R. Seevaratnam	INED	1/1
Mr. A. D. B. Talwatte	INED	1/1
Mr. A.M. Pandithage	NED	1/1
Mr. A.R. Pandithage	Chairman/ MD	1/1

INED – Independent Non-Executive Director
NED - Non-Executive Director
MD - Managing Director
MA - Meeting Attendance

Mr. A.N. Ranasinghe, who was member of the Nomination committee as at 31st March 2018, was appointed as an Executive Director of the Company w.e.f. 01st August 2018 and ceased to be a member of the Nomination Committee from that date.

MEETINGS

19th
May 2018

The Committee held one meeting during the financial year. The activities and views of the Committee have been communicated to the Board of Directors through verbal briefings.

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of performance of the Committee was carried out by the Board during the year and the outcome of the evaluation is given on page 95 in the Annual Report of the Board of Directors.

Dr. H. Cabral
Chairman - Nomination Committee

Colombo
25th May 2019

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

The Section D.1.3 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board should, before its approves the financial statements for a financial period, obtain a declaration, in their opinion, on Financial Statements and system of risk management and internal control from its Chief Executive Officer and Chief Financial Officer.

We confirm that, the Financial Statements of Diesel and Motor Engineering PLC and Consolidated Financial Statements of the Group as at 31st March 2019 are prepared and presented in accordance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRSs/LKASs),
- Companies Act No. 07 of 2007,
- Listing Rules of the Colombo Stock Exchange, and

We also followed the guidance given in the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka on financial and business reporting when preparing these financial statements.

We also confirm that 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 on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken reasonable and sufficient care 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 Group Internal Auditors 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, Independent External Auditors. Their report is given on pages from 102 to 105 of the Annual Report.

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.

CONCLUSION

We confirm that we have discharged our responsibilities on maintaining proper financial records and preparing financial statements in accordance with SLFRSs and LKASs. To the best of our knowledge, we also confirm that the system of risk management and internal control was operating effectively during the year.

A.R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Director/Group Chief Executive Officer

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

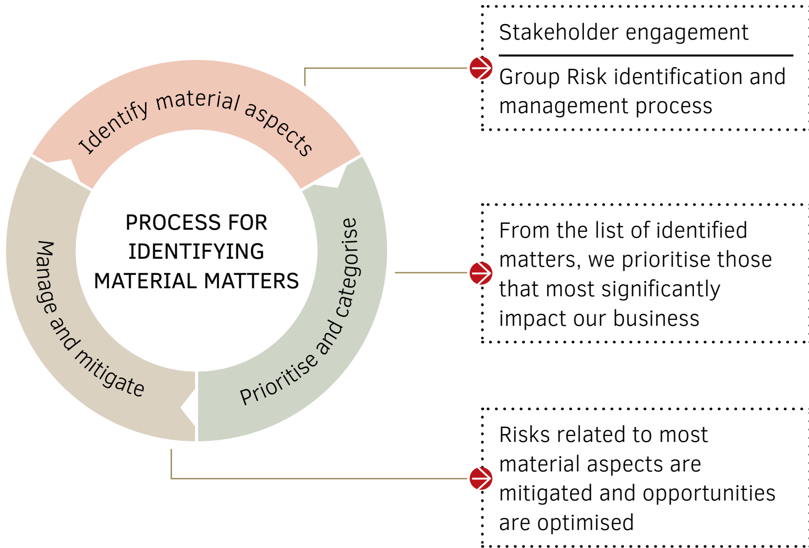
Colombo
25th May 2019

GRI 102-42

MANAGING THE MATERIAL ASPECTS THAT AFFECT VALUE CREATION

Stakeholder Engagement • Managing Risks • Safeguarding value creation ability

Figure 06: Process for identifying material matters



MANAGEMENT SYSTEMS HAVE BEEN IMPLEMENTED TO PROVIDE ASSURANCE THAT RISKS ARE MANAGED THROUGHOUT THE VALUE CHAIN AND TO ENSURE THAT NO MATERIAL RISK CAN MATERIALISE WITHOUT BEING NOTED IN ADVANCE.

IDENTIFYING MATERIAL ASPECTS

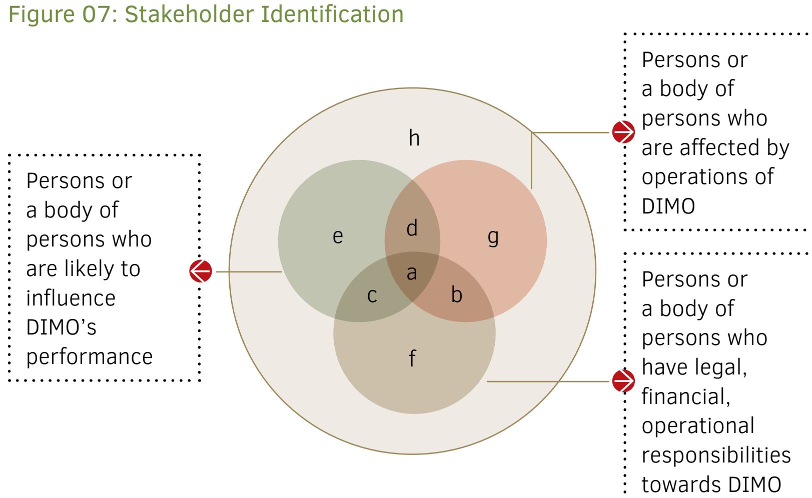
Engaging Stakeholders

Stakeholders provide the Group with critical resources that enable the Group to generate competitive sustainable value in the short, medium and long term. Engaging with these stakeholders allows us to understand their viewpoints and their expectations and needs. The feedback thus generated enables us to develop effective strategies for value creation through the refinement of our products and services.

DIMO's stakeholders are identified by the Sustainability Committee following an analysis of data independently obtained from various stakeholder groups. As depicted in Figure 07, stakeholders are then categorised into groups based on their ability to impact our value creation or the possibilities to be affected by our value creation. The most influential stakeholders are then selected for engagement. The stakeholder identification process is revisited every three years to determine whether any new stakeholders should be included. The latest revision was conducted during the year 2018/19.

Identified material stakeholder concerns are analysed by the management to identify material areas that significantly affect our ability to create value. The Management then takes action as appropriate to address key stakeholder concerns.

Figure 07: Stakeholder Identification



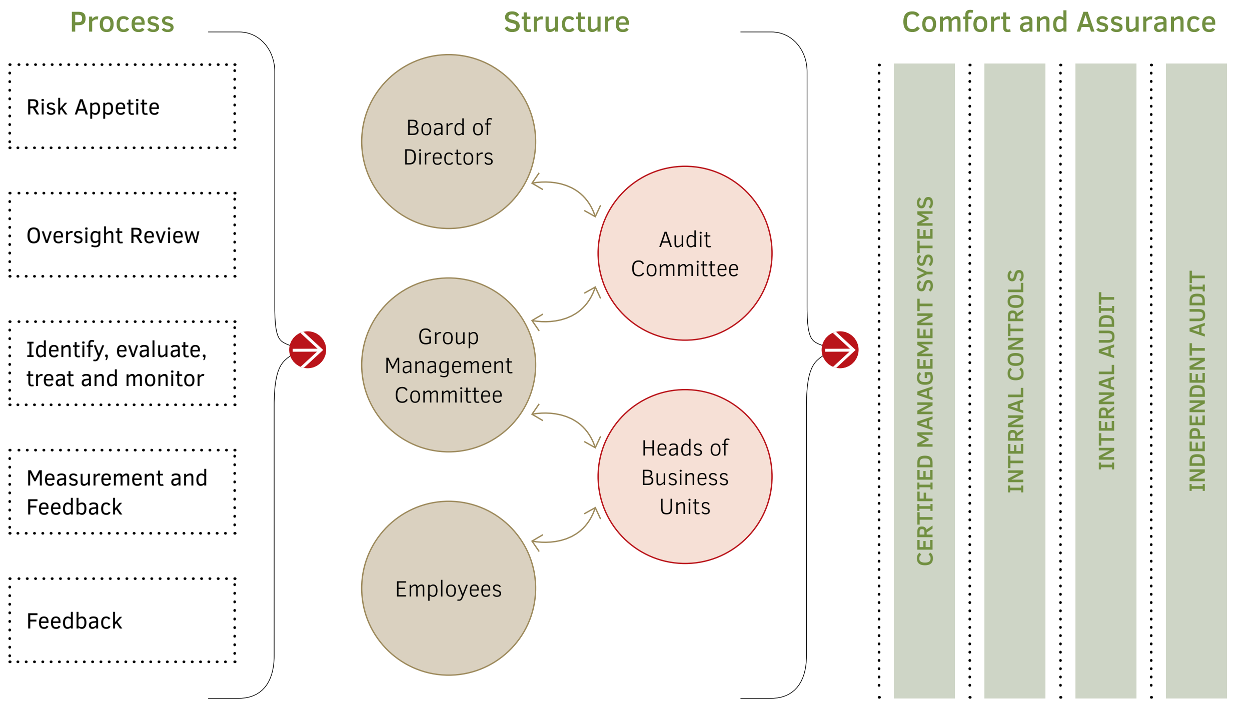
Risk identification and management

The Board is responsible for ensuring effective risk management at corporate level. The lines of defence illustrated in figure 08 reflect how this mandate is converted to action. Through this process, the management identifies areas that may affect the Group's value creation and thus require due attention.

Refer https://www.dimolanka.com/sustainability-performance/ for Comprehensive stakeholder engagement and material issue analysis process

MANAGING THE MATERIAL ASPECTS THAT AFFECT VALUE CREATION

Figure 08: Lines of defence in managing risks



Each division maintains a risk register as mandated by the Quality Management System. The register requires the head of each unit to identify and record significant uncertainties throughout the value chain managed by that division.

Uncertainties which may significantly impact a division's performance are escalated to the Group Management Committee (GMC) at the quarterly performance review meetings and annual budget meetings. The GMC examines such uncertainties to identify potential risks that may expose the Group to situations that may seriously reduce its earnings, threaten its sustenance, impair its liquidity or lead to legal, regulatory or reputational risks.

The Audit Committee reviews the effectiveness of all aspects of the risk management process, from determining risk appetite at Board level to measurements and feedback at operational level.

Management systems have been implemented to provide assurance that risks are managed throughout the value chain and to ensure that no material risk can materialise without being noted in advance. The quality management system, environmental management system and social accountability management system form part of the aforesaid systems.

The Group's quality management system ensures that customer focus is embedded in systems and processes while sufficient and quality resources are available for value creation; in addition it ensures that regulatory requirements related to products and services are met, proper documentation is maintained to enhance traceability and verifiability, and that continuous improvements have been implemented in areas of weaknesses.

Our Environmental management system ensures that we manage and mitigate all significant negative impacts on the environment, generated by business activities.

The Social accountability management system, provides assurance that we avoid the use of child labour and forced labour, and maintain best practices related to health and safety of workers, freedom of association, eliminating discrimination, disciplinary practices, working hours and remuneration. Our subcontractors are expected to have this same commitment towards ethical labour practices by managing their human capital responsibly, in full compliance with the country's labour law.

GRI 102-47

Internal control, internal audit and independent assurance provide comfort and assurance that risk management process functions properly. While internal controls focus on operations, the assurance provided by the internal audit and independent parties deals with any gaps that may exist in the management of risks.

Key risks identified in the process are analysed by the management to identify material aspects that affect the Group's value creation ability. Mitigation actions for each risk are then implemented as appropriate.

PRIORITISATION AND CATEGORIZATION OF MATERIAL ASPECTS IDENTIFIED

The issues identified through stakeholder engagement and the key risks escalated to the Group Management Committee are analysed, prioritised and categorised based on their ability to affect the Group's ability to create long-term value. Table 08 depicts key aspects identified as material to the Group's value creation ability and the related stakeholder issues pertaining to those aspects as well as key risks and opportunities pertaining to the aspect.

Table 08: Material aspects identified

Material aspect	Related material stakeholder issues	Risks that we have identified	Opportunities to capitalise on	Read more on the aspect
Relationship with business partners	Maintaining mutually beneficial relationships with business partners Procurement practices for local suppliers	Risk of disruptions to relationships with key business partners	Easy access to technologically advanced global brands	Page 79-80, 81-85
Government tariffs and import regulations	No material stakeholder concerns were identified for this aspect.	Volatility in government regulations and increased tariff on automobiles	Reduced threat of entry of new competitors	Page 64
Employee engagement and retention	Employee training and education Occupational health and safety Employee benefits	Possible events / incidents that could cause employee health and safety issues	Engaged employees will enable faster responses to changes in operating environment.	Page 75-77
Customer trust and loyalty	Customer health and safety Ethical marketing and communications	Possible events / incidents that could cause customer health and safety issues	Customer trust and their loyalty enhances cross segment synergies.	Page 72-74
Information system management and digital transformation	No material stakeholder concerns were identified for this aspect.	Risk of losing operational and confidential data due to security breaches / IT system breakdowns	Opportunity to differentiate by adapting to digital transformation faster.	Page 65
Responsible behaviour as a corporate	Emissions, effluents and waste Water consumption Energy consumption	Negative impact on reputation that may arise from unacceptable corporate behaviour.	Being responsible in business conduct enhances reputation, thus increasing the Company's appeal to investors and foreign business partners who are increasingly looking to make alliances with sustainable companies.	Page 81-85

MANAGING THE MATERIAL ASPECTS THAT AFFECT VALUE CREATION

MANAGING AND MITIGATION OF RISKS

Key Risks that exceed Group's risk appetite

Risks escalated to the Board of Directors are those that exceed the Group's risk appetite. The Board of Directors evaluates such risks, decides on sufficient mitigation activities and monitors 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 automobiles

53% of the Group's revenue is generated by the vehicles sales segment. This makes the Group's revenue highly vulnerable to the volatility in Government tariff policy, which negatively affects price and market demand.

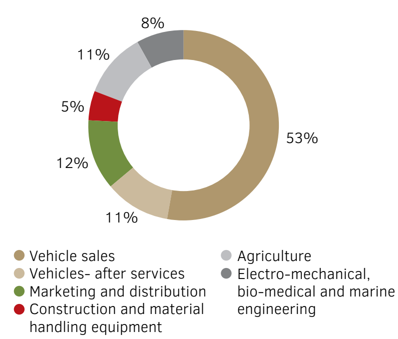
Mitigation

The issue was identified well in advance and addressed through the adoption of the related diversification strategy. Graph 06 depicts how this strategy has diversified our sources of revenue in to marketing and distribution, construction and material handling equipment, agriculture and electro mechanical, bio medical engineering and marine solutions segments and thereby reduced the dependency on the vehicles sales segment.

The risk has a negative impact on availability of resources and our capability to deliver value as given below.

RESOURCES	DELIVERY OF VALUE
Monetised resources	Revenue growth
Relationships with customers	Shareholder returns
Relationship with business partners	Customer satisfaction
	Business partner expectations

Graph 05:
Segment wise revenue contribution to Group's total revenue



2. Risk of disruptions to relationships with key business partners

The Group's business model involves sourcing most consumer products, machinery and equipment from foreign business partners. The effective operation of our value chain is thus vulnerable to the quality of the relationships we maintain with such business partners. Any disruption with business partners thus affects the functionality of our business segments and could also negatively affect the relationship we maintain with other business partners.

Mitigation

DIMO has focused on developing mutually beneficial relationships with business partners. The Group strengthens these relationships by constantly engaging with our 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 79 to 80.

The risk has a negative impact on availability of resources and our capability to deliver value as given below.

RESOURCES	DELIVERY OF VALUE
Relationships with Business Partners	Business partner expectations
Monetised resources	Revenue growth
Brand equity	Negative impact on Brand Reputation

3. Risk of losing operational and confidential data due to security breaches / system breakdowns in the IT systems and disruption to operations due to breakdown in the IT systems.

The Company possesses a great amount of confidential information about 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 could ultimately lead to ethical violations and financial losses. The loss of operational information due to system breakdowns also has a major impact on business continuance.

Mitigation

We undertake extensive controls and reviews to maintain efficiency of IT infrastructure and data. Key controls include conducting periodic technical vulnerability assessments on the corporate network and websites; obtaining regular data backups; storing data backups in off-site locations; have disaster recovery plans in place, and providing continuous education to staff on the importance of information security and on handling sensitive data. A dedicated Information Security and System Audit Manager has been appointed to further mitigate this risk.

The risk has a negative impact on availability of resources and our capability to deliver value as given below.

RESOURCES	DELIVERY OF VALUE
Relationships with customers	Enhancing customer trust
Monetised resources	Strengthening brand equity
Brand equity	Compliance to rules and regulations

During the year;
Migration to a cloud based office module to ensure real-time backups.

12
Training sessions on information security and data handling

35
IT security and vulnerability audits

4. Possible events/incidents that could cause employee health and safety issues

Being an engineering solutions provider, the Group has 617 employees working at service workshops around the country. These workshops consist of high tech machinery and in some instances use hazardous chemicals which may cause health and safety issues to employees if necessary precautions are not adhered to. Such issues would negatively impact the Group's image as an employer and a responsible corporate citizen.

Mitigation

The DIMO Health and Safety policy takes priority over everything else. Our Quality Management System and the Social Accountability management system provide the basis for employee health and safety. They require 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 76 of employee related section.

The risk has a negative impact on availability of resources and our capability to deliver value as given below.

RESOURCES	DELIVERY OF VALUE
Employees	Employee engagement
Brand equity	Employee value proposition
Monetised resources	Negative impact on brand

5. Negative impact on reputation that may arise from unaccepted corporate behaviour.

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

The Board together with the GMC has established a stakeholder engagement process that identifies material issues affecting the Group's material stakeholder groups. Impact management activities are in place to ensure that material impacts generated by the Group's value chain on the triple bottom line are appropriately managed. Refer page 81 to 85 for the detailed analysis on triple bottom line impacts generated by the Group and how we have managed them.

The risk has a negative impact on availability of resources and our capability to deliver value as given below.

RESOURCES	DELIVERY OF VALUE
Brand equity	Customer trust
Customer relationships	Business partner expectations
Business partner relationships	Negative impact on brand equity

Accreditations/Certificates/ Recognitions that affirm the Group's socially acceptable behaviour

6. Possible events / incidents that could cause customer health and safety issues

Automobiles, industrial equipment and sophisticated industrial solutions such as building management systems, elevators, power generation systems, and medical solutions form a key part of the Group's product portfolio. These products and solutions are complex and involve highly automated technical components which, if not operated properly, may cause health and safety threats to customers.

Mitigation

The Group's ISO 2015 certified Quality Management System ensures the quality of all products and services offered by the Group. By collaborating with world class foreign principals, we make sure products we import are of high quality and meet all necessary safety standards. Aftercare services offered by the Group ensure on-time maintenance of industrial solutions, resulting in their good functioning condition and enabling early detection of any operational issues or failures.

The risk has a negative impact on availability of resources and our capability to deliver value as given below.

RESOURCES	DELIVERY OF VALUE
Customer relations	Customer trust
Brand equity	Negative impact on brand equity
	Compliance

MAINTAINING A STRONG FINANCIAL POSITION THAT STIMULATES LONG-TERM GROWTH

Monetised capital • Resource for value creation • Primary medium for trade-off • Strengthens future value creation ability

Table 09: Key performance indicators

Strategic Outcome	KPIs linked to strategic outcomes	2018/19	2017/18	2016/17	2015/16	2014/15
Creating value to the organisation	Turnover - gross (Rs. million)	38,300	43,686	44,493	37,750	28,037
	Gross Profit margin (%)	19.03	16.33	16.71	17.43	18.25
	Earnings Before Interest and Tax (EBIT) as a percentage of revenue (%)	4.37	4.09	4.29	4.93	4.57
	Current ratio (times) as at the year end	1.24	1.24	1.30	1.47	1.45
	Asset turnover (times)	1.30	1.52	1.95	1.84	1.55
	Equity to total asset ratio (%) as at the year end	41.23	42.15	44.66	49.13	51.46
	Interest cover	1.09	1.68	2.22	3.93	3.00
Creating value to Stakeholders	Return on Capital Employed (%)	7.48	8.37	10.24	11.23	8.76
	Earnings per share (Rs.)	5.78	58.50	73.99	106.64	67.15

Refer page 20 to 25 for the assessment of KPIs against targets

Key focus areas in 2019/20

- Cost optimisation to improve net profit margin of the Group
- Improving returns from new investments
- Efficient management of working capital

EARNINGS BEFORE INTEREST AND TAX

RS. 1,661 MN

In 2017/18: Rs. 1,778 Mn

MANAGING OUR FINANCIAL PERFORMANCE

Turnover

The Group gross turnover for the year decreased by 12% from Rs. 43,686 million to Rs. 38,300 million. The segment-wise revenue breakup is provided in Graph 06.

The decrease in turnover came mainly from the vehicle sales segment which was impacted by unfavourable market Conditions. More information on segmental turnover is available on page 124.

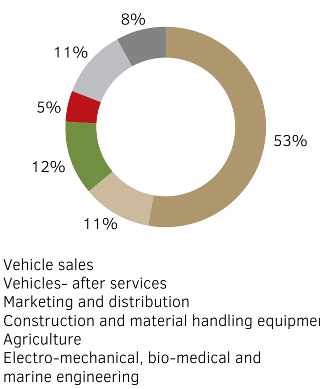
At DIMO, we link sales targets to performance incentives as a key tool in driving turnover. The sales efforts are complemented by appropriate marketing strategies.

Profitability

The Gross Profit Ratio taken as a percentage between gross profit and net revenue was 19.03% (2017/18 – 16.3%). In Rupee terms the gross profit increased by Rs. 142 million (2017/18 - a decrease of Rs. 307 million) this year, from Rs. 7,091 million to Rs. 7,233 million, which is a 2% increase.

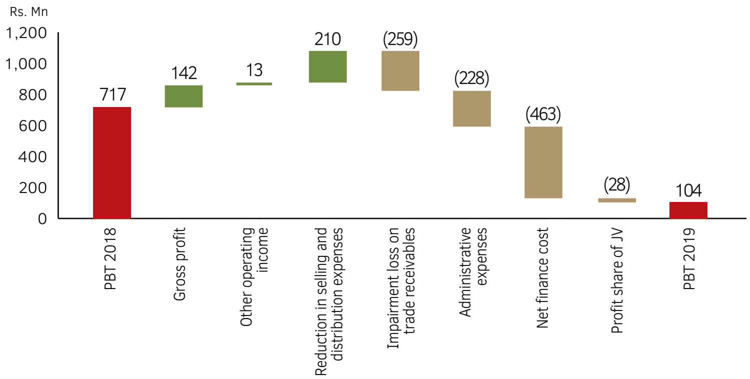
Profit after tax decreased to Rs. 77 million from Rs. 523 million previous year. Profit before tax decreased by 85% to 104 million from Rs. 717 million last year. Graph 107 depicts how each component of the profit and loss statement contributed towards the reduction in profit before tax. Earnings before interest and tax (EBIT) decreased to Rs. 1,661 million from Rs. 1,778 million previous year.

Graph 06:
Segment wise revenue contribution to Group's total revenue



MAINTAINING A STRONG FINANCIAL POSITION THAT STIMULATES LONG-TERM GROWTH

Graph 07:
Year to year variance of Profit Before Tax



Operating expenses

Total operating expenses includes Rs. 737 million of selling and distribution expenses (2017/18 – Rs. 947 million), Rs. 5,004 million of administration expenses (2017/18 – Rs. 4,776 million) and Rs. 178 million of impairment loss on trade receivables (2017/18 – A recovery of impairment loss Rs. 81 million). Key expenses for the year are Rs. 2,900 million of staff expenses and Rs. 411 million on account of depreciation on property, plant and equipment.

Finance costs

Finance costs increased by 44% to Rs. 1,526 million compared to Rs. 1,058 million the previous year. Borrowing rates during the first half were higher than the corresponding period in 2017/18 while a higher level of borrowings took place during the year, leading to the increase in borrowing costs. A calculated stock build up in commercial vehicles and margin requirements imposed on tyres (100%) and passenger vehicles (200%) during the year mainly contributed to the increased borrowings of the Group. The total borrowings at the year end (long-term borrowings and short-term borrowings) grew to Rs. 10,134 million from Rs. 9,189 million at the commencement of the year. The Average Weighted Prime Lending Rate (AWPR) increased to 12.23% as at the end of March 2019 compared to 11.55% in the preceding year.

With the significant increase in finance cost, the interest cover reduced by 35% from 1.68 times to 1.09 times. The Group has employed rigid controls on working capital management to curtail short-term borrowings and interest cost thereon. Negotiations ensure that the Group obtains the best terms and interest rates when borrowing.

Income tax

The Group income tax expenses decreased from Rs.193 million to Rs. 27 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 27% previous year. The rate of income tax applicable to the Company and subsidiaries is 28% other than for foreign subsidiaries in Myanmar, where the applicable tax rate is 25%. The reconciliation between accounting profit and taxable income is available in Note 4.6 to the Financial Statements. A summarised computation of deferred tax is given in Note 4.6 to the Financial Statements.

Estimates and Judgements

Estimates and judgments have been used in preparing the financial statements. Revenue recognition, impairment of non-financial assets, current tax, deferred tax assets, useful lifetime of PPE, provision for impairment of trade receivables, employee benefits, assessing the need for provisions for contingent liabilities and fair value assessment of contingent consideration of subsidiaries acquired are the main areas in which estimates and judgements have been used.

SOURCES OF FUNDING

Using a range of funding sources allows the Group greater flexibility to fund the investments demanded by a rapidly changing operating environment and to maintain the lowest possible cost of funding. As depicted in Graph 08, 41% of total assets are being funded by equity while long term borrowings fund 3% of total assets. 32% of total assets are funded by short term borrowings, which we obtained to fund working capital requirements.

Graph 08:
Equity and liabilities as a percentage of total assets

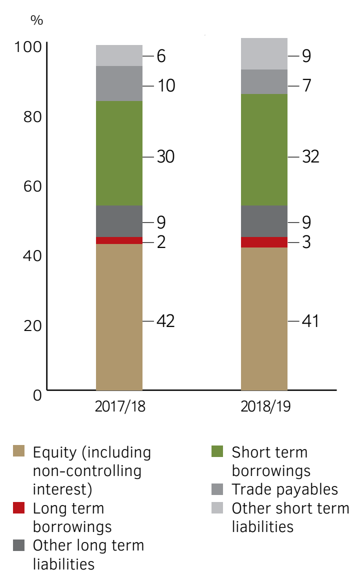


Table 10: Summarised breakup of equity and liabilities (Group)

Liability / equity classification	Rs. Mn 2018/19	Rs. Mn 2017/18	Year to year variance
Equity (including non-controlling interest)	12,080	12,049	0%
Long-term borrowings (Including current portion)	844	595	42%
Other non-current liabilities	2,630	2,567	2%
Short-term borrowings	9,290	8,594	8%
Trade payables	1,906	2,973	(36%)
Other current liabilities	2,550	1,807	41%
Total equity and liabilities	29,300	28,587	2%

Equity

Total equity stood at Rs. 12,080 million (2017/18 – 12,049) as at the year end. This includes Rs. 340 million (2017/18 – 304 million) non-controlling interest and the rest Rs. 11,741 million (2017/18 – Rs. 11,745 million) is attributable to equity holders of the company.

Borrowings

Long-term borrowings as at the year-end amounted to Rs. 844 million (2017/18 – Rs. 595 million) out of which Rs. 354 million (2017/18 – Rs. 282 million) was classified as current liabilities, being the repayment due during the financial year 2019/20. A Rs. 600 million long-term loan was obtained during the year to replenish the cash outflow on account of the acquisition of interests in subsidiaries and the joint venture in year 2017/18 and to finance key capital expenditure conducted during the year. The interest rates applicable to long-term loans ranged from 7.75 % per annum (2017/18 - 7.75%) to 11% per annum (2017/18 - 9%).

Short-term borrowings, which consist of import loans, short-term loans and bank overdraft, amounted to Rs.9,290 million (2017/18 - Rs.8,594 million). Short term borrowings are sourced to fund working capital.

Details of borrowings appear on Note 4.22.1 to the Financial Statements.

Capital structure

The Debt to Equity Ratio, which is calculated as a percentage of long term debt to equity, stood at 7.19% as at 31st March 2019 (2017/18 - 5.06%). A long term loan of Rs. 600 million obtained during the year contributed to the increase in the debt to equity ratio.

ENSURING EFFICIENT USE OF FINANCIAL RESOURCES

The Board of Directors together with the Audit Committee has established the mechanisms necessary to ensure that resource allocation decisions are effective. Among such mechanisms is obtaining GMC approval for capital expenditure and budgetary controls.

Total assets of the Group includes 40% of non-current assets and 60% of current assets. 98% of non-current assets include investments in PP&E at their written down value. Inventories and trade receivables together form 88% of the current assets.

Graph 09:
Current and non current assets as a percentage of total assets

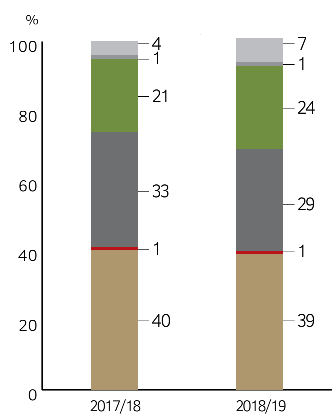


Table 11: Total current and non-current assets (Group)

Asset classification	Rs. Mn 2018/19	Rs. Mn 2017/18	Year to year variance
Property, plant & equipment	11,525	11,453	1%
Other non-current assets	252	243	3%
Inventories	8,360	9,561	(13%)
Trade receivables	6,974	5,997	16%
Cash and equivalents	223	266	(16%)
Other current assets	1,966	1,067	84%
Total equity and liabilities	29,300	28,587	2%

MAINTAINING A STRONG FINANCIAL POSITION THAT STIMULATES LONG-TERM GROWTH

Investment in Non-current assets

Property, plant & 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 & equipment (PP&E) at written down value as at the year-end was Rs. 11,525 million (2017/18 - Rs.11,453 million). Capital expenditure for the year amounted to Rs. 509 million (2017/18 - Rs.450 million). Detail breakup of the PP&E balance and its movement during the year is disclosed in Note 4.9 of the financial statements from page 130 to 135.

Equity investments

The Company, during the year, invested Rs. 40 million in DIMO Lanka Company Ltd. Myanmar, a fully owned subsidiary of Diesel & Motor Engineering PLC, established with the intention of conducting investments in Myanmar. DIMO Lanka Company Ltd. in turn invested Rs. 23 million in United DIMO Company Ltd., Myanmar; a 70% owned subsidiary of Diesel & Motor Engineering PLC. The funds invested were utilised to commence an automotive workshop and a dealership for Suzuki vehicles in Yangon, Myanmar. There was no change in the percentage of shareholding in United DIMO Company Ltd. due to this investment.

Investment in current assets

Inventory

Order quantities of vehicles are based on future forecasts; orders are placed well in advance so that manufacturers have adequate time to include them in production schedules. Order quantities of spare parts and items falling under the purview of the marketing and distribution segment and the businesses that are of wholesale/retail nature 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. 8,360 million (2017/18 - Rs. 9,561 million). This included an amount of Rs. 863 million (2017/18 – Rs. 1,822 million) on account of goods in transit, where goods have not been physically received at our stores.

The provision for slow moving inventories as at the year-end is Rs. 364 million (2017/18 - Rs.350 million).

41% of inventory belongs to the vehicle sales segment, followed by 22% and 15% carried by electro mechanical, bio medical and marine engineering segment and the agriculture segment respectively.

Receivables

Carrying value of trade receivables net of provision for impairment was Rs. 6,974 million (2017/18 - Rs. 5,998 million). The provision for impairment of trade receivables as at year end was Rs. 642 million (2017/18 - Rs.464 million). The impairment policy for trade receivables is given in note 4.16 on page 148 to 150.

Asset turnover

Asset turnover ratio reduced to 1.30 times from 1.52 times previous year. The reduction in revenue mainly contributed to this decline.

Inventory turnover decreased from 3.93 times to 3.44 times mainly due to the increased inventory as a result of calculated build-up in commercial vehicle stocks.

MANAGING LIQUIDITY TO MEET FUTURE CASH REQUIREMENTS

Liquidity requirements of the Group are managed by monitoring forecasts and actual cash flows and arranging finance facilities to address gaps, if required. DIMO maintains a healthy level of undrawn bank facilities to meet immediate funding needs. As at year end the undrawn bank facilities amounted to Rs. 5,478 million (2017/18 – Rs. 4,060 million).

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. The function is responsible for continuous monitoring of market interest rates and negotiating competitive rates for financial facilities.

Cash flow

Net cash used in operating activities during the year amounted to Rs. 626 million (Net cash generated from operating activities in 2017/18 was Rs.463 million). Rs. 1,186 million increase in inventories was a key contributor to this outflow.

Investing activities consisted mainly of the capital expenditure of Rs. 509 million. The net cash outflow from investing activities was Rs. 360 million (2017/18 - Rs. 1,246 million).

Financing activities resulted in an inflow of Rs. 246 million (an inflow of Rs. 156 million in 2017/18) during the year. The Rs. 600 million long term loan obtained during the year and Rs. 1,000 million short term borrowings obtained were the key contributors to this inflow.

Overall, the year's activities caused a net increase in cash and cash equivalents, by Rs. 259 million (2017/18 - net decrease of Rs. 495 million).

Working capital management

The Group's current asset ratio as at 31st March 2019 was 1.24 times (2017/18 – 1.24 times). As at year end, total current assets was Rs. 17,524 million (2017/18 – Rs. 16,891 million) and total current liabilities was Rs. 14,100 million (2017/18 – Rs. 13,658 million). The management of working capital is coupled with the Group treasury function to ensure good alignment of cash management and current assets and liabilities management.

RETURNS

Return on Capital Employed

Return on Capital Employed as at year end was 7.48% (2017/18 – 8.37%). 7% decrease in EBIT caused the reduction in return on capital employed.

Return on Equity (ROE)

Reduction in net profit resulted in a lower ROE of 0.63% compared to 4.34% previous year.

Table 12: Return on equity

Year	ROE (%)	Net Profit Margin (%)	Asset to Equity Ratio	Asset Turnover (times)
2018/19	0.63	0.20	2.43	1.30
2017/18	4.34	1.20	2.38	1.52

Earnings per share

Earnings per share (EPS) for the year under review was Rs. 5.78 compared to Rs. 58.50 the previous year. The computation of EPS is given in Note 4.7 to the Financial Statements. There were no changes in the number of shares in issue during the year.

Dividends

The Board of Directors approved a first and final dividend of Rs. 2.50 per share (interim dividend of Rs. 20 per share in 2017/18) for the year ended 31st March 2019. The dividend payout ratio for 2018/19 thus is 43% compared to 34% in 2017/18.

As per the section 56 of the Companies Act No. 07 of 2007, the Company is carrying out a solvency test prior to the payment of the final dividend and will obtain 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.

A SUPERIOR VALUE PROPOSITION THAT FOSTERS LASTING CUSTOMER RELATIONSHIPS

Relationship capital • Revenue • Responsible care • Key stakeholder

Table 13: Key performance indicators

Strategic Outcome	KPIs linked to strategic outcomes	2018/19	2017/18	2016/17	2015/16	2014/15
Creating value to the organisation	Maintaining a customer-centric quality management system with ISO accreditation.	Achieved	Achieved	Achieved	Achieved	Achieved
	Number of training hours for sales personnel	6,498	11,197	5,531	6,284	7,297
Creating value to shareholders and other stakeholders	No. of customer interaction points	60	58	65	60	57
	No. of business locations in the North and East	6	6	6	6	7
	Customer Satisfaction Index (%)	87%	88%	90%	88%	90%
Being a responsible corporate citizen	Deviations of employee behaviour against the code of ethics	None	None	None	None	None
	Number of incidents recorded where customer privacy has been violated	None	None	None	None	None

Refer page 20 to 25 for the assessment of KPIs against targets

Key focus areas in 2019/20

- Strengthening customer retention strategy
- Expanding customer base outside the country
- Providing integrated solutions to customers by improving cross-segment integration

CUSTOMER SATISFACTION INDEX

87%

In 2017/18: 88%

EMPOWER RELATIONS THROUGH DIFFERENTIATION

Differentiation is a key aspect of our corporate strategy which provides the basis for DIMO's unique customer value proposition. Delivering differentiation in the areas of technological excellence, customer primacy, dependability, market presence, aftercare and responsible behaviour by collaborating with our employees and globally recognised business partners provides the platform upon which we foster lasting customer relations.

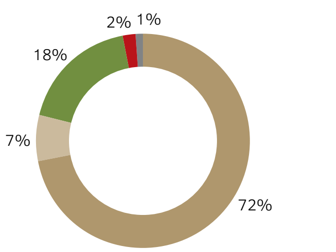
UNDERSTANDING CUSTOMER PULSE

We believe that a value proposition that addresses customer pain points will always lead to solid customer relations. As depicted in Graph 10, DIMO's customer profile is diversified and includes broad customer categories varying from individuals to large private and government institutions. We make every effort to develop an intimate understanding of each category so that we may improve the value we create for them, thereby strengthening our relationships with them.

To this end, we have a dedicated team of CRM personnel who conduct surveys, market research studies and meetings to understand the evolving needs of customers. The method of engagement varies based on the customer category. Daily interactions with customers across our businesses also provide vital inputs.

Customer insights identified are fed in to the Group Customer Relationship Management (CRM) system and analysed to understand customer behaviour, trends and consumption patterns. The findings of these exercises are integrated into the value chain to enhance value created to customers.

Graph 10:
The composition of customer profile



BEING PRESENT AND ACCESSIBLE

Accessibility is an important aspect of the customer value proposition, as closer proximity enhances customer convenience and helps build relationships. Better access also allows us to better understand varying customer needs in different geographical locations.

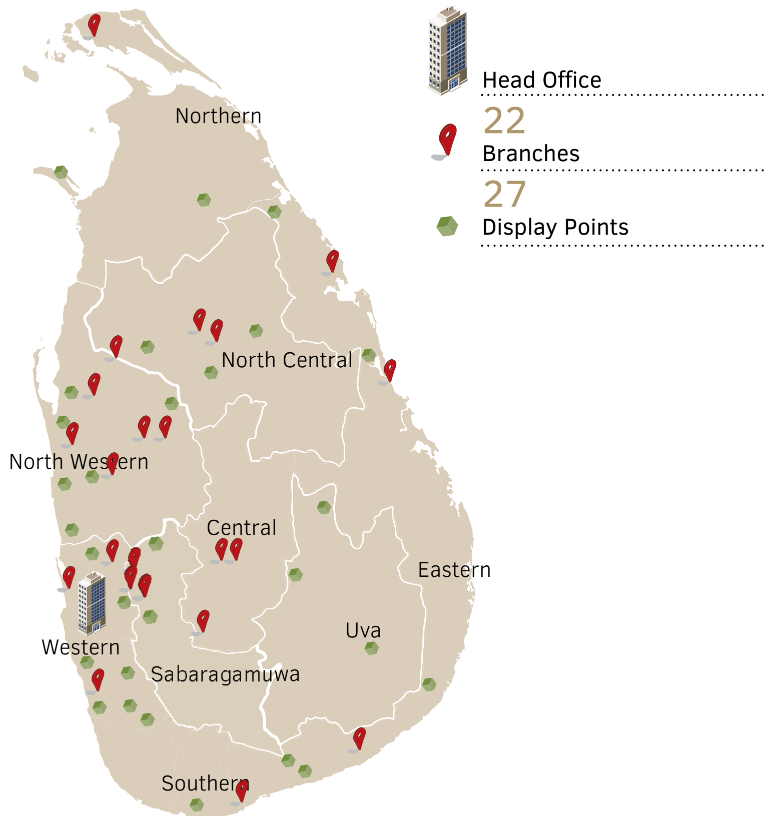
DIMO's customer contact channels include our physical presence islandwide, digital presence via the corporate website and social media, and audio presence through the Call Centre. As at 31 March 2019, the Group operated 22 branches, 27 display points. Figure 09 illustrates DIMO's presence all around the country through customer interaction points. A mobile sales team further increases this reach.

On the digital front, the dynamic DIMO website drew in 6,466 (2017/18 - 2,283) product inquiries via comprehensive, continuously updated products pages. Visible increase in web inquiries was due to the upgrade of the corporate website with dedicated forms for product wise inquiries.

Five Facebook pages are maintained to reach different customer and stakeholder segments. All five Facebook pages totally saw over 500,000 annual engagements.

The DIMO call centre is accessible 24/7 for complaints and feedback and during the year received 108,000 calls from customers all over the Island.

Figure 09: Customer interaction points



THE COMFORT OF DEPENDABILITY

The comfort of dependability is a key value that differentiates DIMO's value proposition and is an important component in building lasting relationships. Our well-established after sales business segment together with the Group's health and safety policy, enables us to deliver this important component.

The after services business segment is equipped with state-of-the-art vehicle service centres that make use of latest technologies. We also hold a number of franchises in Sri Lanka for a range of spare parts that are made available through a well spread dealer network.

A SUPERIOR VALUE PROPOSITION THAT FOSTERS LASTING CUSTOMER RELATIONSHIPS

Taking care of our customers 24/7 is another key component in providing the comfort of reliability to our customers. Roadside assistance patrols and a mobile tyre and battery team are available to help customers at any time, any day.

The comfort of reliability also entails offering products with the highest standards of safety. We are uncompromising in our endeavour to ensure the quality of our products and their conformance with industry standards on health and safety. In order to accomplish our goals regarding customer comfort, health and safety, and wellbeing, the Group's ISO 9001:2015 accredited Quality Management System is applied throughout the organisation. Our policy of partnering with reputed suppliers who have stringent quality standards has always ensured that customer health and safety takes priority. Continuous assessments are carried out with regard to the potential health and safety impacts of all our products and services.

CAPITALISING THE VALUE OF EXPERIENCE

DIMO nurtures customer relations by delivering a memorable customer experience. We are keen to ensure that all our customers - whether they are walk in customers or big corporates - get the best experience out of our interactions.

The journey of experience begins with the customer's initial contact and extends to solving their post-sales issues. The dedicated Customer Relationship Management team serves as the first point of contact for our customers as well as the contact point to coordinate and after-sales complaints. During the year under review, the CRM team received 915 (776 in 2017/18) customer complaints which were solved within the agreed time periods of the customers. Other more complicated complaints took longer to respond to, but were eventually resolved.

Hosting signature customer programmes is another important aspect of providing exceptional customer experience. Signature events held during the year included Mercedes-Benz Golf Tournament, TATA Nexon Day 2018, TATA Global Service campaign, Komatsu Machine Maintenance Seminar and DIMO Agri All Island Mega Service Campaign.

We go the extra mile to enhance customer experience by hosting customer associations and loyalty programmes. While seeking customer loyalty, these programmes also offer rewards to our precious customers. The Mercedes-Club of Sri Lanka, Jeep Club of Sri Lanka, TATA Emperor Customers and Driver's Club are some of the prevailing customer loyalty programmes, which recorded 1,175 (2017/18 - 1,148) members as at year end.

CUSTOMER CENTRIC, BUSINESS VALUES

Over our 80 years of service excellence, we have established customer relations that are built on our responsible behaviour towards them. The value of being responsible, righteous, responsive, reliable, respectful and resilient is inculcated in DIMO's culture, and this assures our responsible behaviour and integrity towards customers across the value chain. Ethical marketing, responsible product labelling, and product responsibility are key areas amongst many others under this mandate.

Refer page 08 for Group's values

Our marketing practices uphold the highest ethical standards and are based on transparency, honesty and full disclosure. Customer privacy is paramount and we maintain utmost confidentiality of customer information. There is heavy emphasis on correct labelling and catalogue referencing, and statutory requirements are met in respect of providing diagrams and pictographs, expiry dates and standardisation code numbers where relevant.

The products and engineering solutions we offer are designed to have the minimum impact on the environment. The ISO accredited Environmental Management System further ensures our service centres do no harm to the environment.

DEVELOPING AN AGILE, INNOVATIVE AND ENGAGED POOL OF TALENT

Human capital • Collaboration • Expertise • Skills • Value creator

Table 13: Key performance indicators

Strategic Outcome	KPIs linked to strategic outcomes	2018/19	2017/18	2016/17	2015/16	2014/15
Creating value to the organisation	Employee engagement score	3.89	4.00	3.88	3.85	3.90
	Average training hours per employee	19	29	21	17	16
	Female employees as a percentage of total employees (%)	10	10	10	11	11
	Employee turnover ratio (%)	15	17	14	17	19
Creating value to stakeholders	Employee satisfaction index (%)	65	65	65	62	62
Being a responsible corporate citizen	Total number of job opportunities as at 31st March	1,961	1850	1,725	1,573	1,535
	Number of job opportunities provided during the year	354	293	380	289	299

Refer page 20 to 25 for the assessment of KPIs against targets

Key focus areas in 2019/20

- Strengthening leadership pipeline
- Improving productivity of employees
- Improving employee inter business mobility

EMPLOYEE ENGAGEMENT SCORE

3.89

In 2017/18: 4.00

AN EMPLOYER OF CHOICE

Good talent is attracted to good employers; thus it is imperative that we brand the Company positively as a model employer and as an employer of choice.

We operate a dedicated unit within the HR structure, to manage employer branding and candidate management. The unit has implemented several programmes and platforms designed to cement DIMO's employer brand and to attract the right talent. Such signature programmes include recommend a friend programme, campus hiring events, future talent internship program and the "I love my job" initiative. Social media management also plays a role in strengthening the employer brand. During the year under review, our career page acquired over 16,418 likes reaching a total number of 285,933 likes (2017/18- 269,433) as at March 2019.

The strongest endorsement is the constant recognition DIMO receives from key institutions for our HR practices. The jewel among the many recognition is being named as one of the best workplaces in Asia 2019 by Great Place to Work institute in the category large workplaces. This recognition is based on the results from a survey of Workplaces in Sri Lanka - 2018.

MAKING WORK ENJOYABLE AND REWARDING

"Making Work Enjoyable and Rewarding", is DIMO's Employee Value Proposition (EVP) and is the key driver of talent attraction, engagement and retention. The EVP is founded on the philosophy of offering employees a balanced rewarding structure that recognises employee performance while exposing them to a whole new world of opportunities. DIMO's EVP is not limited to financial benefits, it encompasses more qualitative aspects such as work environment, development opportunities, recognition, and experience.

A healthy place to work

Health and safety is a foremost priority in creating a good working environment. Our comprehensive occupational health and safety policy spells out how we action our responsibility to create a safe workplace for all our employees, external contractors and visitors. During the year, DIMO was recognised as a healthiest work place, in the large organisation category of Sri Lanka, at the AIA Healthiest Workplace Summit 2019. This was an endorsement of the effectiveness of DIMO's health and safety practices.

Benefits

The financial benefits of the EVP include employee basic pay, a merit pay that forms part of the monthly salary, annual incentive, bonus, vehicle allowance and excursion allowance. The incentive schemes differ based on job classification but are available to any employee, providing them the opportunity to earn as they perform. Other monetised benefits includes fuel, health insurance package, life insurance cover, mobile phone, loans and special leave entitlements, all of which are offered based on employee level and category. Benchmarking assessments are conducted once a year to ensure that the benefits offered are above industry standards.

Recognition

Employees who go the extra mile to contribute directly towards value creation are acknowledged and rewarded in multiple ways. Once an employee meets a set of criteria, he is nominated by the head of the business unit and rewarded at the monthly meetings of the Employee Council. Awards are given annually to recognise the best performances in sales, technical and support services. The best of all three categories is awarded the coveted 'Employee of the Year' title. The Group Management Committee selects the winners based on a set of pre-determined criteria.

Experience

We provide unique employee experiences that are designed to promote a sense of belonging and connectedness. We go the extra mile to organise signature events such as the 25 Years' Service Award, DIMO Day, and others such as Vesak Lantern Competition, Christmas Party, DIMO Wellness Week and Women's Day programme, among many others.

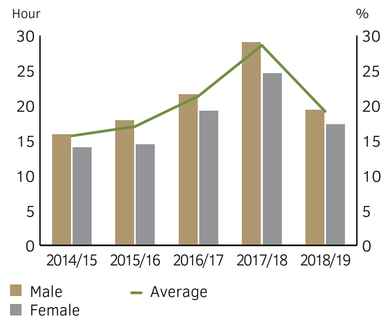
Development and stimulation of the right individuals

In our endeavour to develop talent and stimulate minds towards better performance, we take a comprehensive approach that encompasses training, leadership development, knowledge management and encouraging innovation. Added to this, we operate Touchstone: DIMO centre for outbound learning, which provides a customised experience to our employees by meeting their learning and development needs internally.

Training

Employee training is the main approach to developing internal talent. Each supervisor, with the support of the HR Division, assesses training gaps to decide on suitable development methods. During the year under review, employees received 34,798 (49,486 in 2017/18) training hours, through 246 programmes; internal, external and foreign, all of which were funded by the Company (289 programmes were held in 2017/18). Graph 11 provides insights into average training hours per employee for the last five years.

Graph 11:
Training hour per employeee



Leadership development

High potential employees who continuously outperform their peers are identified based on their performance ratings over three years and through a comprehensive 360° degree leadership assessment. These employees must demonstrate the ability to drive higher performance and possess the capability to align others with the Group's direction. During the year under review, 83 employees (2017/18 – 119) were identified as high potential individuals and 34 training programs were conducted to strengthen their leadership potential.

Knowledge management and retention

The Group's technical know-how and the knowledge accumulated over our 80 years of operation are an intrinsic part of our competitive advantage, and are treasured and carefully managed. Such knowledge may depart the organisation in the event of an employee with the knowledge leaving. Therefore it is important to identify the stores of tacit knowledge possessed by each employee and to ensure that the Company retains the most important employees. DIMO's HR policy enables high levels of employee engagement and several programmes

Refer https://www.dimolanka.com/sustainability-performance/ for more information on health and safety aspect of DIMO

are in place to ensure talent retention. Over the last five years, the Group's employee turnover reduced by 23 % from 18.53% in 2015 to 15.05% this year.

However the knowledge gained is only as valuable as its effect and influence on the work we do. Therefore, we employ knowledge sharing sessions, online learning management systems and extensive training tools to disseminate and document the knowledge gathered. During the year, 12 (2017/18 – 12) knowledge sharing sessions, named "Know House", were conducted.

Encouraging Innovation

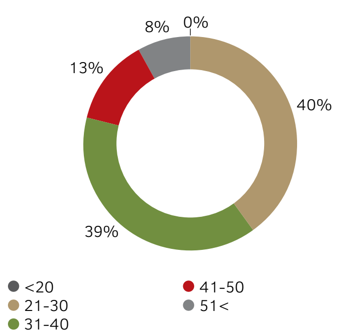
We encourage innovative ideas through the "Idea Man" initiative, a virtual platform that allows employees to communicate their innovative ideas to the management. The ideas submitted are analysed for their potential to enhance revenue, productivity, brand reputation, and/or to reduce costs. Ideas that 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, five employees were awarded for the excellence of ideas presented.

Leveraging the strength of diversity

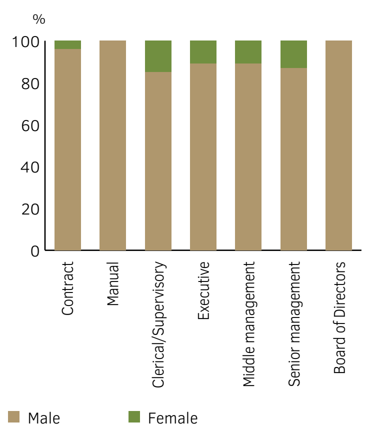
The diversity of knowledge and skills among our workforce fosters creativity and expands our problem solving capacity and our responsiveness to the changing operating environment. We thus encourage equality of opportunity among employees and promote gender diversity across categories. The launch of DIMO's women network in November 2018 to support and encourage the creation of a gender smart organisation is a signature event in this respect.

As at 31st March 2019, the DIMO tribe consisted of 1,961 employees (2017/18 – 1,850) including employees of entities that DIMO has direct control over. Employees come from all parts of the country and represent different social strata. Female employees as a percentage of total employees as at 31st March 2019 was 9.9% (2017/18 – 9.9%). Graph 13 provides insights on female employee representation in each employee category. Graph 12 provides information pertaining to the diversity in ages of our employees.

Graph 12:
Employee composition based on age



Graph 13:
Percentage of gender composition of each employee category



Enhancing Goal Congruence

We consider it essential that every employee understands how their work supports the short- and long-term goals of the Group. DIMO's online performance management system puts this mandate in to practice. It enables us to track and monitor the performance of individual employees by establishing measurements that align the Company's goals with individual employee's objectives. 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 102 employees (2017/18 – 129) were promoted based on the results of this evaluation process.

Unleashing employee minds

'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 engaged and better aligned.

To generate two way communication between the management and tribe members, we have initiatives such as a monthly employee council meeting, an annual employee engagement survey and employee satisfaction survey (ESS), great place to work survey, the Manager Effectiveness survey, and the whistle blowing policy. The open door policy promoted by the top management further encourages our employees to directly meet senior management and express their ideas freely.

REPOSITIONING DIMO TO FACE THE CHALLENGES OF FUTURE

Brand equity • Employer brand • Future value creation • Attract stakeholders

Key focus areas in 2019/20

- Re-positioning the brand
- Address the millenial mind

REFLECTING WHO WE ARE TODAY

"From a company that brought the world's best engineered brands to Sri Lanka to a brand that embodies the hopes, aspirations and potential of millions of Sri Lankans, indeed Sri Lanka itself – DIMO's reinvention in its 80th year is astounding as it is inspirational. DIMO is undoubtedly one of Sri Lanka's most respected and leading brands. Interbrand is proud to count DIMO amongst its leading clientele in the South Asian region."

Ashish Mishra
Managing Director, Interbrand India.
www.interbrand.com

DIMO has always been a Company of the future, known for its innovation, creativity and progressive thinking. Our commitment to expecting perfection and delivering technological excellence have defined the way we have used our talent and resources to chart our corporate journey. The key characteristics that define our corporate brand are partnering with the world's best brands, technologies, experts and resources; providing world-class service support and turn-key solutions; supplementing the best global brands with our products and services, and being a sought-after training ground for world-class human capital.

The DIMO brand crosses a significant milestone in 2019 marking 80 years of stakeholder trust and confidence. During these 80 years we have continuously improved the lifestyle of every Sri Lankan through multiple interactions every day. These 8 decades have seen DIMO blaze new trails not just in Sri Lanka, but also the world. Over the years, we have emerged as one of Sri Lanka's most respected and most admired organisations.

REPOSITIONING FOR A STRONGER BRAND

As a prudent, forward-thinking conglomerate, we are very aware that a business enterprise can only remain economically viable and relevant through constant evolution. In this regard, a current priority is meeting the changing needs of millennials. Therefore we recently conducted an extensive study to determine stakeholder perceptions of the DIMO brand and to assess brand fitness for the future. Based on this research and its conclusions, we will soon be re-positioning the DIMO brand identity to reflect who we are today - a vibrant and progressive integrated solution provider with a strong presence in some of the nation's most important industry sectors.

With guidance from the Board of Directors, we will embark on a repositioning project in 2019/20. This will include a new brand identity, a new brand framework and a refined set of values which are derived from the original set of DIMO values that have helped us grow tremendously during the last 80 years. The values will be clearly defined by introducing standards of leadership; we consider such definition vital to aligning employee behaviour.

The repositioning will initially take place internally. The focus will be on changing employee behaviour, and driving change to conscious and subconscious stakeholder opinions by establishing key characteristics, thereby strengthening loyalty to the brand.

As we look to the future, we will create value with a bigger vision, loftier goals and a renewed identity. Our ultimate objective through the above would be a greater customer experience and greater brand equity that enhance DIMO's ability to create value in longer term.

COLLABORATE WITH GLOBAL PARTNERS TO DELIVER INTERNATIONAL QUALITY LOCALLY

Collaboration strategy • Relationship capital • Access to technology

Table 14: Key performance indicators

Strategic Outcome	KPIs linked to strategic outcomes	2018/19	2017/18	2016/17	2015/16	2014/15
Creating value to the organisation	No. of principals	85	89	94	95	77
	No. of relationships above 50 years	7	7	7	7	7
	No. of relationships between 25 and 50 years	10	9	9	9	9
	No. of new relationships commenced during the year	6	6	8	19	9
	No. of principals on Fortune 500	7	7	8	8	7

Refer page 20 to 25 for the assessment of KPIs against targets

Key focus areas in 2019/20

- Re-define the product portfolio in vehicle sales segment
- Expanding product portfolio by seeking new business partner relations in order to pursue growth strategy

NUMBER OF PRINCIPALS

85

In 2017/18: 86

Figure 10: DIMO brand portfolio

COLLABORATE WITH GLOBAL PARTNERS TO DELIVER INTERNATIONAL QUALITY LOCALLY

CAPITALISING THE STRENGTH OF EXISTING PARTNER PROFILE

Throughout our 80 years of business, we have acquired over 100 internationally renowned brands into our pool of resources. Our current portfolio includes 85 principals of whom 41% are of Asian origin and 59% from Europe and America. Of these, seven appear in the Fortune 500 list of 2018 - an indication of the superiority of our business partner profile. As depicted in Figure 10 the portfolio is well spread and is a key form of competitive advantage, providing us access to internationally recognised technology and enhancing our ability to form new relationships with global leaders. That's why we make it our utmost priority to ensure these relationships remain uninterrupted in the years to come.

CONGRUENCE IN BUSINESS PHILOSOPHY

DIMO is very selective when choosing those with whom we partner. Fundamentally, their core values must complement our own while we must share a similar approach to conducting business. We have found that such a meeting of minds and strategic fit provide the best platform upon which a sustainable productive relationship may be built.

All aspects that compose the strategic fit are integrated into DIMO's supplier code and all partners are required to reaffirm their commitment to these values and disseminate those throughout their own supply chain. Among the many aspects are ones that prescribe our expectation of ethical standards and the level of technology integrated into their systems. The strategic fit is closely evaluated at the initiation of a relationship while annual evaluations are carried out thereafter on a sample basis to ensure that the fit is maintained.

MEETING BUSINESS PARTNER EXPECTATIONS

We build relationships of trust with business partners by clearly identifying their expectations, resolving conflicts, delivering expectations and maintaining transparency. Key expectations are discussed at the very initiation of a relationship, thereby setting the ground rules for a successful relationship. Each year, an internal engagement is carried out on how well those expectations have been met and whether business partners have any grievances to air. Outcomes of this engagement are given priority at Board level and speedy action is taken to resolve any grievances. 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.

WE BUILD RELATIONSHIPS OF TRUST WITH BUSINESS PARTNERS BY CLEARLY IDENTIFYING THEIR EXPECTATIONS, RESOLVING CONFLICTS, DELIVERING EXPECTATIONS AND MAINTAINING TRANSPARENCY.

Among those accolades were recognition received by Daimler AG as the only Daimler certified general distributor workshop in South East Asia for body and paint repairs and by Axis as a 'Solution Gold Partner' for security solutions, form part of our key milestones.

ADHERING TO INTERNATIONALLY RECOGNISED BUSINESS PRACTICES

The quality of relationships maintained with business partners is enhanced by DIMO's quality management system, environmental management system and social management system. These management systems reflect the level of standards maintained throughout our value chain.

RESPONSIBLE BEHAVIOUR IN MANAGING IMPACTS

Responsible value creation • Social license to operate • Contribute to UN's Sustainable Development Goals (SDGs)

Table 15: Key performance indicators

Strategic Outcome	KPIs linked to strategic outcomes	2018/19	2017/18	2016/17	2015/16	2014/15
Being a responsible corporate citizen	Monetised value added (Rs. billion)	20.0	18.1	18.2	14.9	9.5
	Non-compliance with rules and regulations recorded	None	None	None	None	None
	Recycle and reuse of water withdrawn (M3)	9,556	8,822	10,455	7,749	7,910
	Waste segregated and handed over to selected third parties for recycling/ reuse - Kg	518,016	397,622	367,330	383,356	366,284
	Energy consumed to generate one million rupee turnover (GJ)	2.14	1.76	1.68	1.81	2.17
	Carbon footprint generated for every one million rupee turnover (tCO2e)	0.2087	0.1768	0.1790	0.1917	0.2413
	Maintaining a certified social accountability management system	Achieved	Achieved	Achieved	Not available	
	Voluntary Investment in community development and environmental preservation activities (Rs. million)	89	108	122	78	63

Refer page 20 to 25 for the assessment of KPIs against targets

Key focus areas in 2019/20

- Improve voluntary participation of employees in community development projects
- Expand the scope of the accreditations obtained for Group quality management system, environmental management system social accountability management system to newly acquired subsidiaries and joint ventures.
- Defining leadership traits to align employee behaviour to the expected behaviour by Group values
- Promote sustainable agriculture through collaboration with foreign business partners

MONETISED VALUE ADDED

RS. 20.0 BN

In 2017/18: Rs. 18.1 Bn

"BEING RESPONSIBLE" IN ACTION

The stewardship role held by the Directors demands that they act responsibly towards the economy, society and the environment. The Board of Directors has delegated the oversight of this important mandate to the Group's Sustainability Committee, which is the policy recommendation body on matters relating to sustainability, as depicted in the governance framework presented on page 43.

The Committee seeks responsible behaviour by addressing material stakeholder issues, managing business impacts on the economy, environment and society through management systems, and by participating in voluntary initiatives that promote sustainable development. Table 16 identifies management systems and directives implemented by the Sustainability Committee to ensure that responsible behaviour is embedded in all we do.

Table 16: Management systems and directives to ensure responsible behaviour in what we do

Management systems / directive	Areas of management
ISO 9001:2015 accredited Quality Management System	Promote customer focus by focusing on health and safety, compliance and continuous improvements.
ISO 14001:2015 accredited Environmental Management System	Ensure responsible behaviour towards the environment
SA 8000:2014 accredited Social Accountability Management System	Ensure we remain responsible towards every human being we encounter
DIMO's code of business ethics	Ensure employees are responsible in what they do

NURTURING POSITIVE IMPACTS TO THE COMMUNITY

DIMO makes material positive impacts in three main areas: monetised value creation and distribution, provision of employment opportunities across the nation, and contribution to economic development through products and services.

Monetised value creation and distribution measures our contribution towards the nation's economic activities. During the year under review, the Group created Rs. 20.0 billion worth of monetised value (2017/18 Rs. 18.1 billion), of which Rs. 19.5 billion (2017/18 Rs. 17.2 billion) was distributed among employees, shareholders, lenders, government and the community.

The Group provides employment to 1,961 persons as at 31st March 2019. Monetised resources invested in our islandwide branch network, especially outside the Western province, help generate local employment and improve livelihoods of the local community. We have invested Rs. 94 million (2017/18 – Rs. 33 million) in total in property plant and equipment, outside the Western province. These investments have generated 43 jobs during the year which represent 12% (2017/18 - 9%) of total employment opportunities provided by the Group during the year. This reflects our contribution to economic growth and regional development.

Our product portfolio, including engineering and agricultural products, contributed to the development of many industries in Sri Lanka by promoting efficiency and innovation.

COMPLIANCE WITH RULES AND REGULATIONS

We understand the need to comply with the statutory and regulatory requirements established to protect the public and to ensure ethical behaviour among individuals and corporates. Our comprehensive and well entrenched conformance framework facilitates responsible behaviour through compliance with all mandatory requirements and voluntary adherence to other guidelines. Each of our islandwide business sites is aware of the need to adhere to environmental regulations, product labelling and safety regulations applicable to their locations of operation.

ETHICAL BUSINESS CONDUCT

The manner in which we choose to conduct our business can influence the communities around us. That's why it's important that we have a mechanism to ensure that our conduct does not violate widely accepted social and cultural rules, norms and ethics.

DIMO's Code of Business Ethics encapsulates our approach to business conduct and our public policy. The Code of Business Ethics lays down strict guidelines on employee conduct and their engagement with external parties in the course of business.

For example, the Code specifies that no representative of DIMO can make any political donation or attempt to influence any public body. The Code also focusses on issues of corruption and unfair competition. Each employee who joins the DIMO tribe is made aware of the obligations enshrined in the Code of Business Ethics during their orientation.

RESPONSIBLE BEHAVIOUR OF SUPPLIERS AND SUBCONTRACTORS

Our suppliers are vital to our value chain and its important to us that they complement DIMO's way of responsible business conduct. We take extra measures to ensure that they maintain the requisite standards thereby safeguarding the responsibility of our procurement practices while enhancing the sustainability of the value created by our suppliers.

The DIMO Supplier Code enshrines the ethical standards we expect of suppliers. It is required that all partners reaffirm their commitment to these standards and take action to also disseminate them through their own supply chain. When we initiate a relationship, we closely evaluate the partner's adherence to these standards while annual evaluations are carried out thereafter to ensure maintenance of that fit. As of 31st March 2019, 45 major local suppliers had committed to upholding the DIMO supplier code.

Refer page 86 to 91 for more information on how DIMO contributes to inspire and transform Sri Lankan livelihood

Refer to the Enterprise Governance report page 40 to 60 for more discussion about our conformance framework and how we comply with regulations

Labour practices of subcontractors forms an important part of DIMO's supplier code. Our subcontractors are expected to manage their human capital responsibly and ethically, in full compliance with the country's labour law.

Similarly, our commitment to health and safety also 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.

PRODUCT STEWARDSHIP AND ETHICAL MARKETING

Product responsibility is an important consideration in our value creation process, because it affects our customers who are a part of society. Our approach to product responsibility is embedded in the ISO accredited quality management system and consists of factors such as ethical marketing, product labelling, product safety and responsible aftercare.

The products and engineering solutions we offer conform to the highest safety standards and are designed to have minimum impact on the environment. Our marketing practices uphold high ethical standards 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 correct labelling and catalogue referencing, and meet all statutory requirements in respect of providing diagrams and pictographs, expiry dates and standardisation code numbers where relevant.

During the year, there were no instances of non-compliance reported relating to these aspects.

ETHICAL LABOUR PRACTICES

The ethics we embed in our labour practices may affect the wellbeing of society, therefore our labour practices have been designed to uphold ethics and responsibility in the ways we regard and nurture our employees.

Our labour practices are SA 8000:2014 accredited; this is an assurance that we avoid the use of child labour and forced labour, maintain best practices related to health and safety of workers, freedom of association, eliminating discrimination, disciplinary practices, working hours and remuneration.

ENERGY CONSUMPTION

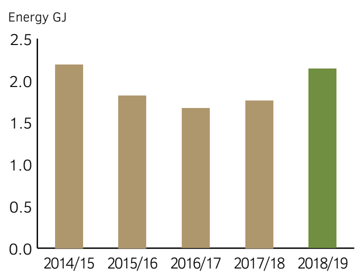
We make a great effort to responsibly manage our use of energy generated from non-renewable scarce sources such as electricity, diesel, petrol, and LP gas. We are committed to protect such resources for future generations. We do consume these resources in proportion to throughput levels and turnover, however we have in place several initiatives to ensure efficient consumption of energy throughout the value chain. Such activities include the following:

- The Diesel Centre and DIMO 800 are LEED Gold certified Green Buildings. DIMO 800 which spans 16,000 square metres 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.
- Maintaining air conditioning at 24^{o} C.
- Programming all computers to revert to standby mode after a five-minute idling period.
- Using LED technology for incandescent lighting.
- Inculcating a culture of 'switching off' when not in use.
- Planning all future buildings to exploit natural light.

2.14 GJ (2018/19 – 1.76 GJ) of energy was used to generate one million rupee turnover during the year. 22% increase in energy consumption is due to the 8% increase in vehicle throughput in vehicle after service segment. The total energy consumption in the form of diesel, petrol, LP gas and electricity was 81,947 GJ (2018/19 – 76,519 GJ) during the year. Graph 14 elaborate Group's total energy consumption over five years.

Refer Page 75 to 77 for more information on Group's HR practices

Graph 14:
Energy consumption to generate one million rupee turnover



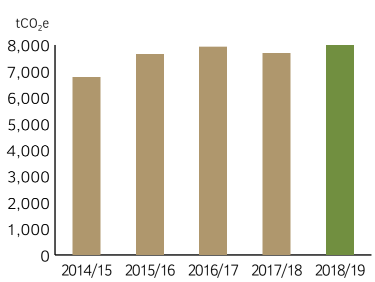
RESPONSIBILITY TOWARDS CLIMATE ACTIONS

DIMO acknowledges that climate change and global warming are the most challenging environmental issues of the 21st century. That's why DIMO is committed to contribute towards a cleaner, greener planet by managing Greenhouse Gas (GHG) emissions from our activities within and beyond the business boundary. In this spirit we will;

- Monitor our carbon footprint using the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (revised edition).
- Ensure that emissions generated by our business activities fall within the regulatory frameworks and limits. An independent party authorised by the Central Environmental Authority (CEA) measures our emission levels annually.
- Minimise the harmful impacts of our business activities that may contribute to climate change.
- Ensure none of DIMO's activities result in Ozone depleting emissions. For example, CFC-free gases used in vehicles and air conditioning plants are captured and recycled by built-in systems when such units are being serviced.

The Group's total carbon foot print for the year recorded 7,995 tco2e (2017/18 - 7,679 tco2e). This included 4,723 tco2e (2017/18 – 4,931) of Scope 1 emission, 2,508 tco2e (2017/18 – 2,394) of Scope 2 emission and 764 tco2e (2017/18 - 354) of Scope 3 (limited) emission. The GHG emission for one million rupee turnover recorded was 0.2087 tc02e (2017/18 - 0.1664). Graph 15 summarises Group's carbon emission for five years.

Graph 15:
Carbon emission of the Group



WATER CONSUMPTION

DIMO makes every effort to minimise our use of water by using lower volumes or recycling water wherever possible. The rain water harvesting system located at DIMO Logistics Centre – Weliweriya is a key component of DIMO's water management agenda as it reduces the water the Group withdraws from publicly shared sources. The system collects rainwater, filters it through a carbon and sand process, and release it for use in operational activities including vehicle washing. During the year 888 M3 (334 M3 in FY 2017/18) of rain water was collected and utilised for operations.

All of DIMO's main workshops now operate state-of-the-art water treatment and recycling plants and the Group thus recycled about 16% of the total water used during the year.

The Group consumed 117,879 M3 (2017/18 - 104,795 M3) of water for its operations this year. Water consumption to generate one million rupee revenue was 3.08 M3 (2017/18 - 2.41 M3). The increase in water consumption is due to increase in vehicle throughput of vehicle after service business. The table 17 identifies the main sources of water used in operations and provides the statistics for water re-used.

Table 17: Total volume of water withdrawn

Description	Water Usage (M3)		Reused Water (M3)		Reused Percentage (%)	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Municipal Water	83,588	69,959	4,651	2,902	5.6	4.1
Ground water	33,412	34,502	4,905	5,920	14.7	17.2
Rain Water Harvesting	888	334	-	-	-	-
Total	117,888	104,795	9,556	8,822	8.1	8.4

RESPONSIBLE DISCHARGE OF WASTE WATER

Our stringent waste management processes help eliminate the risk of discharging untreated water into any public area or sewerage system. Waste water generated at our workshops is treated and monitored daily to ascertain pH levels in compliance with legal limits. Random samples of recycled water are collected by a third party, approved by the CEA, to monitor pH value and Chemical Oxygen Demand (COD).

During the year 9,556 M3 (2017/18 - 8,822M3) of water was recycled and reused. This amount is 8.1% (2017/18 – 8.4 %) of total water consumption of the Group. While 8,883 M3 (2017/18 – 11,923 M3) of water which did not have an alternative for re-use was treated for pH value and discharged to municipal drainage. Biochemical oxygen demand, total suspended solids and oil/grease content of discharged water were found to be well below the tolerance levels demanded by the CEA.

EFFICIENT USE OF MATERIAL EXTRACTED FROM NON-RENEWABLE RESOURCES

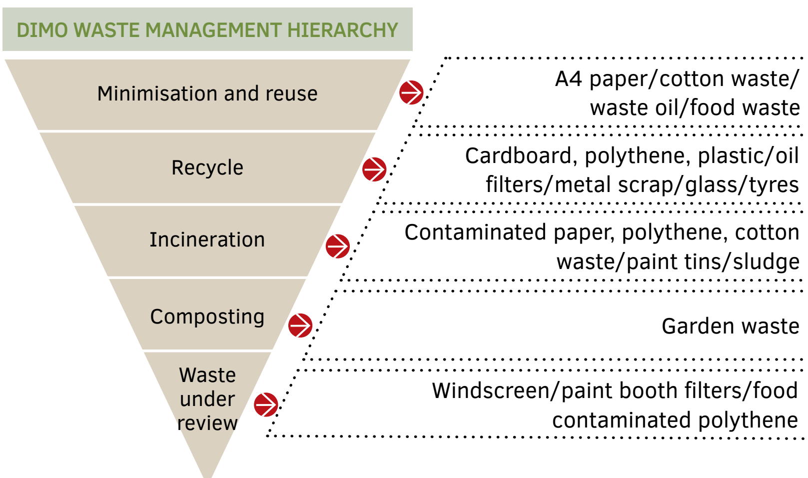
The Group's material consumption volumes have a positive correlation to workshop throughput. Given that many such materials are manufactured using scarce natural resources, we must be responsible in their usage. In this spirit, we closely monitor the consumption of material against activity levels and continuously build awareness on responsible material consumption.

A key initiative in this area was an initiative by MB / Chrysler passenger vehicle service centre to replace the use of temporary paper carpets with reusable carpets made out of a mix of cloth and rubber which can be reused several times and then disposed responsibly at the end of its useful life.

WASTE MANAGEMENT

Our strategy for managing hazardous and non-hazardous solid waste 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. Figure 11 depicts the process through which the Group practices this mandate.

Figure 11: DIMO waste management hierarchy



Non-hazardous solid waste management

The Group practices waste segregation to dispose non-hazardous solid waste responsibly. Such waste is either reused, recycled or incinerated.

The segregation system at our premises involves colour coded bins for organic material, paper, polythene and plastic waste, which is then reused or recycled through CEA approved recyclers. Food waste is handed over to a third party for use as animal feed.

Table 08 provides a summary of non-hazardous solid waste generated by the Group during the year.

Table 18: Non-Hazardous solid waste disposal

Type of waste	Unit	Disposal method	2018/19	2017/18	Year to year Variance
Food/organic waste	kg	Reuse	45,213	45,982	(2%)
Contaminated paper	kg	Incinerate	6,993	6,759	3%
Cardboard boxes	kg	Recycle	55,056	38,473	43%
Pallet racks	kg	Reuse	131,400	126,876	4%

Hazardous solid waste management

It is critical that we manage hazardous solid waste to minimise the potential threats to the health and safety of employees and society. DIMO employees are regularly trained on safety practices and the proper handling of hazardous material.

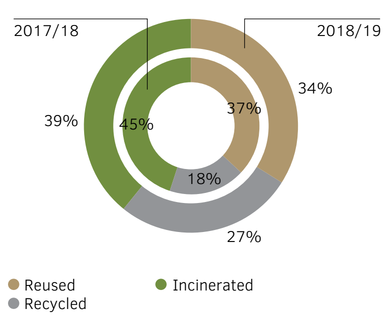
Chemical spillage kits are available for use by employees in the event of a spillage. The protocol for managing such an eventuality is set out in Material Safety Data Sheets (MSDS). We are pleased to report that there were no incidents reported in relation to hazardous chemical spillages during the year.

In the case of electronic waste, we have partnered with a recycler for the safe disposal of e-waste.

Key components of Group's Hazardous solid waste included 160,633 Kg (2017/18 – 138,831 Kg) of sludge which were incinerated, 145,790 L (111,885 L) waste oil which were reused and 76,034 K9 (2017/18 – 25,394 Kg) metal scrap which were handed over for re-cycling.

The substantial increase in metal scrap was due to a replacement of a cabin in Siyabalape accident repair unit and clearance of a stock of old metal scrap stored in the Weliweriya warehouse, during the year.

Graph 16:
Total wate disposal by method of disposal (Kg)



INSPIRE AND TRANSFORM SRI LANKAN LIVES

Our aspiration is to be a corporate role model that inspires and touches every Sri Lankan every day. We bring this mandate to reality through the value we deliver to our stakeholders, products and services we offer, the recognitions and accreditations we receive and the voluntary investments we make in community development within our economic reality. In this section, we identify the key milestones we achieved during the year which took DIMO closer to our aspiration and prove our true commitment to inspire and touch every Sri Lankan every day.

STATE-OF-THE-ART TECHNOLOGY

DIMO 800, 'The Mercedes-Benz Centre of Excellence - 'The highest Daimler AG certified 'General Distributor' workshop in South East Asia for body and paint repairs

DIMO800 was recognised for its extensive capabilities, services and technologies by Daimler AG MS/OCC Accident Management – Body and Paint Facility Assessment when certified the centre as a level 4 body and paint repair facility in South East Asia (SEA). DIMO thus became the first General Distributor in South East Asia to receive this certification; the highest level awarded by Daimler AG for any body and repair facility.

When DIMO first installed the paint booth in 1990 it made history as the first workshop paint booth in Sri Lanka's automobile industry. DIMO was also the first to introduce a body jig set in a workshop when it introduced Celette bench and attachments in 1978.

Hybrid technology hub

Hybrid vehicles have had quick acceptance among Sri Lankan drivers and their proliferation now calls for competent technicians well trained in high voltage and hybrid technology. Identifying the growing demand in the industry, DIMO Automobile Training School (DATS) recently launched a Hybrid Technology Hub to provide training in Hybrid and High voltage technology to external individuals and institutes in a fully-equipped, safe environment. DATS is thereby contributing to the improvement of the general qualification standards in the country while generating revenue for the Company.

DIMO 800 – the Mercedes-Benz Centre of Excellence

LED-based lighting solutions that conserve energy

DIMO offers tailor-made lighting solutions that create the right illumination for every environment. Providing LED-based lighting solutions for NSBM Green University in 2016 was a key milestone in this respect, leading to the conservation of 40% to 50% of energy consumed by NSBM.

DIMO recorded a similar milestone when it provided world-class LED lighting solutions for the Colombo City Center (CCC) building complex, fulfilling the lighting specifications of its Singaporean lighting consultants. The lighting scope included more than 10,000 LED light fixtures for 192 luxury apartment units, 164 guest rooms, interior light fixtures for the shopping mall and corridors including 8,000 metres of LED strips and exterior light fixtures for landscape and façade areas.

Introducing high-tech medical equipment to Sri Lanka

DIMO Medical Engineering Solutions is dedicated to providing solutions customized around the needs of hospitals, clinics, healthcare centres and most importantly, patients. The division take pride in introducing state-of-the-art medical technology especially to government hospitals, and thereby contributing to enhance the quality of healthcare services of the country. In this spirit we have during the year;

- Successfully installed and commissioned 3 Tesla Siemens Magnetom Sykra machine at the Sri Jayawardenepura Teaching Hospital, improving the ease and comfort of magnetic resonance examinations. The roominess of the 70 cm open bore accommodates patients of many sizes, shapes and conditions.
- Installed and commissioned Positron Emission Tomography (PET) scanner at Apeksha

Hospital Maharagama. The PET scanner is an indispensable imaging tool in the management of cancer that provides medical imaging technology to image the biology of disorders at the molecular level before anatomical changes are visible.

- Introduced CLARUSTM 500; the next generation ultra-wide field fundus imaging system from Carl Zeiss, to National Eye Hospital, Colombo.

Mechanisation of Sri Lanka's agriculture sector

Mechanisation is a crucial input for agricultural crop production that has unfortunately been neglected by developing countries.

DIMO has been at the forefront of introducing modern agricultural equipment to facilitate farm mechanisation in Sri Lanka. A giant leap made recently in this regard was the introduction of the CLAAS Jaguar – a self-propelled state-of-the-art forage harvester built by German agricultural machinery manufacturing giant, CLAAS.

The Jaguar 850 with ORBIS 450 is a technically sophisticated machine that offers more productivity, more choice, more comfort and extra yield. This machine is capable of harvesting 20-25 acres per day, thereby increasing productivity while maintaining excellent chopping quality.

Plant stimulating through natural impulses

DIMO's recent partnership with Penergetic International AG, a world leader in sustainable agri solutions, is a milestone in offering technology that stimulates biological systems through natural impulses and enables the optimisation of cycles, thereby enhancing individual processes. Penergetic supports an efficient yet gentle approach to agriculture in which plants, animals and the environment are strengthened and enabling them to achieve their full potential.

Creating awareness on Machine Room Less (MRL) system elevators

In 2018, DIMO was appointed as the sole distributor, installer and service provider in Sri Lanka and Maldives for thyssenkrupp Elevator, a global leader in elevators and escalators from Germany.

With this venture, DIMO will focus on marketing the Machine Room Less (MRL) system elevator to low- and medium-rise buildings, and a wide range of high-speed elevators to meet the increasing number of high-rise buildings in Sri Lanka. The company is also keen to create awareness amongst consultants and architects about passenger elevator systems. This cutting-edge technology is the industry's first system with two independent cars, positioned one on top of the other in one shaft, providing the same passenger capacity in up to 25% less space.

State of the art warehousing solutions

The selection of the right material handling technology is a central requirement in creating an efficient, cost effective and productive integrated distribution system. We have for over four decades been offering material handling equipment and state-of-the-art warehouse management technologies to Sri Lankan entrepreneurs. In this spirit, during the year we have commissioned the;

- An extra large warehousing solution; a selective racking system with 38,000 pallet locations to Logiwiz Pvt Ltd.
- An extra large warehousing solution; selective racking system with 22,000 pallet locations to Spectra Logistics.
- Largest building maintenance unit in South Asia ; a 31m outreach telescopic system with 190m height to Pearl Grand Hotel Tower

DIMO'S RECENT PARTNERSHIP WITH PENERGETIC INTERNATIONAL AG, A WORLD LEADER IN SUSTAINABLE AGRI SOLUTIONS, IS A MILESTONE IN OFFERING TECHNOLOGY THAT STIMULATES BIOLOGICAL SYSTEMS THROUGH NATURAL IMPULSES AND ENABLES THE OPTIMISATION OF CYCLES, THEREBY ENHANCING INDIVIDUAL PROCESSES.

Introducing advanced hybrid excavators for the first time in Sri Lanka

DIMO in November 2018 took pride in introducing the first ever advanced hybrid hydraulic excavator in the Sri Lankan construction and mining machinery market by launching the Komatsu Hybrid HB205-1. Designed by Komatsu Japan with advanced KOMTRAX technology, the machine provides special features and benefits including greater reduction in fuel consumption by using the hybrid technology and greater versatility to support a wide range of attachments.

FACILITATING INFRASTRUCTURE DEVELOPMENT

3 GOOD HEALTH AND WELL-BEING
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES

DIMO installs an extra large tower crane at Colombo Dockyard

DIMO successfully supplied, installed and commissioned a Tower Crane Model MC 310K-12 at Colombo Dockyard PLC recently. This tower crane comes equipped with a 70 metre long lifting Jib with a maximum lifting capacity of 12 metric tons and a free-standing height of 35 meters; qualifying it to be the largest Tower Crane with Colombo Dockyard PLC. The high lifting capacity, long jib tower crane assists in carrying out major ship component repairs without the need to take a ship to dry dock. The Crane was installed within one week by the DIMO service team.

Contribution to Lankan power generation

The growing Sri Lankan population gives rise to infrastructure and other needs that demands reliable and sustainable sources of energy. DIMO has addressed the growing energy needs of our nation and played its role in many projects in the power sector. We have used technologies such as SCADA systems to improve efficiency of power transmission and to reduce waste.

We recently added an ADB funded projects to our portfolio, a 150MVar Variable Shunt Reactor Project in Anuradhapura & Mannar and 100MVar Breaker Switched Capacitor Bank at Pannipitiya. The bids were made in a consortium with Siemens Ltd. India, a global leader in power generation.

Footprint in sustainable energy solutions

DIMO has entered into a contract with VESTAS, global partner on sustainable energy solutions, to engage in the 104 MW Wind Power Project in Mannar as the contractor scoped with the electrical balance of the plant.

This will be Sri Lanka's first large scale wind park and the project was conceived by Ceylon Electricity Board (CEB) and funded by Asian Development Bank (ADB). It is part of the CEB's efforts to promote sustainable energy sources and increase the mix of sustainable energy in the local grid.

DIMO installed PET scan machine at Apeksha Hospital Maharagama

Construction activities are expected to commence in the first quarter of 2019/20, and the project is expected to be completed in the third quarter of 2020.

Continuous development of Lankan Healthcare sector

DIMO supplies and maintains sophisticated state-of-the-art medical equipment, such as MRI scanners, CT scanners, cath labs, gamma cameras, mammogram machines, sophisticated ophthalmology equipment and surgical microscopes, linear accelerators and tomotherapy units used in oncology treatment and critical care equipment. These products and solutions are manufactured by world leaders such as Siemens, Zeiss, Draeger and Accuray. 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 making the latest healthcare technology available to Sri Lankans.

Taking part in national water supply

DIMO – Fluid Management Systems provides engineering solutions and all related services in fluid transportation and management, in partnership with principals from KSB Germany for four decades. Supply, installation testing and commissioning of wet - well submersible pumps for five pumping stations under greater Colombo waste water management project, construction of Bulathkohupitiya integrated rural water supply Scheme in Kegalle district and construction of Orubandiwewa rural water supply scheme-Phase II in Badulla district are some of the recently delivered fluid management solutions out of many others.

Having completed a large number of projects with the National Water Supply & Drainage Board as well as with process industrial clients and private sector investors of condominiums, DIMO has made a significant contribution to developing and improving the Lankan potable water supply. Major fluid management solutions provided by DIMO approximately generate 6,200 mega litres of potable water per day.

DIMO Nasevena technical education centre

Sri Lanka has a high traffic-related fatality rate which necessitated improving driving skills and road safety. DIMO thus embarked on a timely initiative to establish an institute

HAVING COMPLETED A LARGE NUMBER OF PROJECTS WITH THE NATIONAL WATER SUPPLY & DRAINAGE BOARD AS WELL AS WITH PROCESS INDUSTRIAL CLIENTS AND PRIVATE SECTOR INVESTORS OF CONDOMINIUMS, DIMO HAS MADE A SIGNIFICANT CONTRIBUTION TO DEVELOPING AND IMPROVING THE LANKAN POTABLE WATER SUPPLY.

in Sooriyawewa where beginner drivers and experienced drivers would be trained on road safety with a view to reducing road accidents. The DIMO Nasevena Technical Education Centre (DTI) is located on a nine - acre site in Sooriyawewa, Hambantota. The DTI employs classroom and practical training methodologies using a modern curriculum.

Road safety programmes for the community

As an automobile pioneer in Sri Lanka, we made an effort to promote sustainable transport systems by improving road safety. We launched a programme called 'Parissamata Poronduwak' to build road safety awareness among paddle cyclists in five districts. We partnered with the Sri Lanka Police, which provided awareness on road rules and road safety to all attendees while DIMO volunteers fixed a dynamo unit with a tail light onto all the paddle cycles that were brought to the event.

Adding to this mandate the Group during the year conducted 13 driver training programs in several districts with the intention of enhancing awareness on traffic laws and safe driving. Training sessions educated 642 people in Colombo, Kurunegala, Negombo and Polonnaruwa areas.

INSPIRE SRI LANKAN TALENT

Walking Sri Lankan Fashion Industry to International Ramps

Young Sri Lankan Fashion Star Amesh Wijesekara made it to the international ramps of Mercedes-Benz Fashion Week Berlin, on the heels of his breakthrough appearance at the Mercedes-Benz Fashion Week (MBFW) Sri Lanka. Mercedes-Benz Fashion Runways in Sri Lanka is an annual event sponsored by Diesel & Motor Engineering PLC (DIMO) and conducted by the Academy of Design (AOD).

The recognition of Amesh's talent by renowned fashion personalities who were present at the event, fulfils the Mercedes-Benz Fashion Week Sri Lanka's aim of elevating Lankan talent to new heights in international fashion, thereby positioning Sri Lanka as the South Asian hub for design innovation.

Supporting Moratuwa University to participate at the world's biggest student motorsport competition

DIMO once again provided financial assistance to a team of Mechanical Engineering undergraduates of University of Moratuwa (UoM) to participate at the world's biggest student motorsport competition, Formula Student 2018.

Formula Student is Europe's most renowned educational motorsport 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, when their entry was fully sponsored by DIMO. In 2018 too, Team SHARK was given expert advice and guidance by DIMO along with full access to DIMO's Siyambalape site facilities to build their DI-MORA P2 racing car. The team performed well in vehicle design, acceleration and skid pad events and was placed 33rd place among 100 universities, scoring above notable institutions such as the University of Cambridge. The competition was held from 11th to 15th July 2018 with over 5,000 attendees.

Amesh showcasing his collection at Mercedes-Benz Fashion week in Berlin

DIMO Academy for Technical Skills (DATS).

The flagship programme offered by the DIMO Academy for Technical Skills provides technical education to local youth via two training schools located in Weliweriya and Jaffna. DATS is registered with the Tertiary & Vocational Education Commission and is also accredited by the German Chamber of Commerce as the only institution in Sri Lanka which offers German Standard Dual Vocational Training in the automobile sector.

The training school is a comfortable, spacious learning environment with three fully equipped lecture rooms, a modern electronics lab, a large workshop for vehicle repairs, special tools to repair Mercedes-Benz vehicles and specific electronic diagnostic equipment.

Students who undergo the two year certificate course in automobile mechatronics are trained free of charge and receive an allowance, subsidised meals, uniforms and other benefits. During the year under review the Group spent Rs. 53 million worth of monetised capital (2017/18 Rs. 65 million) to maintain DIMO Academy for Technical Skills. To date, over 450 students have graduated from both the Colombo and Jaffna training schools.

Boosting employment skills in Agriculture sector

DIMO initiated a harvester operations training programme in collaboration with the Ministry of Skills Development and Vocational Training, with the aim of promoting efficient, technological agricultural techniques among Sri Lankan youth. The participants will be awarded a recognised National Vocational Qualification (NVQ) Level 3 certification accredited by the Tertiary and Vocational Education Commission of Sri Lanka. The programme was launched in 2018 at DIMO Na Sevana Training Academy and 97 students have been trained during the year 2018/19 (2017/18 – 49).

Team Shark 2018, in the process of building their state-of-the-art racing car

DOING OUR PART IN ENVIRONMENTAL SUSTAINABILITY

Leaders in Supplying environmentally sustainable products and services

We ensure that the products and services offered by DIMO are embedded with the best technology and generate minimum harm to the environment. LED bulbs, hybrid passenger vehicles, energy conserving lighting solutions, waste water treatment solutions, Euro4-enabled commercial vehicles and renewable energy solutions are some of the key products through which we support environmental sustainability.

Turtle conservation - on going project from 2012

DIMO stepped into turtle conservation in 2012, as one of our environmental conservation efforts outside the business boundary. The project aims to protect the delicate balance of the ecosystem by conserving turtle eggs and releasing the hatchlings through better monitoring and awareness building. Since 2012, we have protected over 67,000 turtle eggs; the Olive Ridley (Lepidochelys olivacea) and Green Turtle (Chelonia mydas) species are dominant among the safely released hatchlings.

Life to reef - ongoing project from November 2017

The Coral Reef Restoration, Monitoring and Conservation Programme in partnership with Wildlife & Ocean Resource Conservation was launched in November 2017 with the aim of restoring the destroyed Bonavista coral reef in order to protect and enhance the biodiversity of the Rumassala ecosystem. As a first step 120 coral nubbins were planted by the employee volunteers of DIMO. The programme saw the enthusiastic participation of 45 volunteers from across DIMO, recording a total of 270 volunteer hours.

This programme was carried out as a pilot project to research and study the innovative coral replanting method; results have shown signs of a successful conservation effort. In the six months since the launch of the project, all planted coral nubbins have successfully grown, adapted to the eco system and have started providing habitats and breeding grounds to various ocean species.

Project life – ongoing project from January 2018

The Forest Restoration and Biodiversity Credit Accrual Programme for Sri Lanka was officially launched in January 2018, in collaboration with Biodiversity Sri Lanka and nine other private sector partners. This conservation project is a multi-company Public-Private Partnership over a period of five years. The project is located in a degraded 10 hectare forest land in the Kanneliya forest reserve aims to restore and manage the biodiversity of the degraded forest land and develop a biodiversity credit accrual system for the first time in Sri Lanka.

As at 31st March 2019, the project progress recorded the completion of fencing work covering the entire land and establishing plant nurseries by the villagers of the local community. The project plan for the next year includes planting 10,000 shade plants and 12,000 forest plants including native plants such as Kanda and Gaduma.

PIONEER IN BEST LABOUR PRACTICES

Being a Great Place to work

DIMO was selected as one of the best workplaces in Asia by Great Place to Work institute in the category large workplaces. This recognition is based on the results from a survey of Workplaces in Sri Lanka - 2018.

This award recognises DIMO's open, supportive and performance-driven workplace culture.

The complexities of maintaining a great workplace culture often escalate with the expansion of a business. In its 80 years of operations, DIMO has been uncompromising in its commitment to delivering a positive experience for its employees, who now number 1961.

Recognised as the healthiest place to work

DIMO was recognised as the Healthiest Workplace in Sri Lanka for the year 2018 at the AIA Healthiest Workplace Summit. At the awards ceremony, DIMO was acknowledged with multiple awards including The Healthiest Employer - Large Category (Winner), The Healthiest Employees – Large Category (1st Runner-up) and The Healthiest Workplace – Large Category (Winner).

INSPIRING LANKAN CORPORATE REPORTING LANDSCAPE

Contribution to integrated reporting landscape in Sri Lanka

DIMO has been a pioneer in Integrated Reporting in Sri Lanka and is the only Sri Lankan entity to have been a part of the International Integrated Reporting Committee's pilot program leading to the establishment of the Integrated Reporting Framework. DIMO has so far published nine integrated reports including this report, and has won a number of awards for its reporting excellence. Awards received for the Annual report 2017/18 include;

- Overall Gold award for top 10 Best Integrated Reports, Best Integrated Report Industry and Commerce Sector, Most Concise Report, and special awards for Value Creation and Capital at CMA Excellence in Integrated Reporting Awards 2018
- Accolades for Best Annual Report in the category of Diversified Holdings, Gold award for Integrated Reporting, Silver award for Management Commentary and Gold award for Integrated Reporting Best Disclosure on Business Model at the 54th Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka.

DIMO Automobile Training Institute

Financial Statements

Here we present a detailed analysis of the Group's Financial Statements, its financial position and performance in the year under review, together with statements from Directors and independent auditors.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors takes pleasure in presenting the Annual Report of the Company for the financial year ended 31st March 2019, that includes and covers the Audited Financial Statements, Chairman's Message, Statements of Responsibility, Auditors' Report, Independent Assurance on Non- Financial Reporting and other relevant information covered in "Strategy and Value Creation", "Reflecting on value created" and "Value creation in the future" sections of the annual report.

The information table on 'Disclosures required by the Companies Act No. 07 of 2007' appearing on page 48 forms 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 25th May 2019. 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 PRINCIPLE BUSINESS ACTIVITIES

The Group structure is available on page 14.

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 112.

STATEMENTS OF ASPIRATION, PURPOSE AND VALUES

The Company's statements of aspiration, purpose and values are available on page 8. 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.

THE BOARD OF DIRECTORS

The Board of Directors of the Company consisted of thirteen members as at 31st March 2019. Information relating to the Directors of the Company is available at https://www.dimolanka.com/about-us/board-of-directors/.

The names of the Directors of Subsidiary Companies are given on page 179.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Mr. M.V. Bandara, Mr. B.C.S.A.P. Gooneratne and Dr. H. Cabral retire by rotation in terms of the Article 66 of the Articles of Association of the Company, and are eligible for re-election.

The agenda for the Annual General Meeting includes three separate ordinary resolutions to be taken up to re-appoint Mr. A.R. Pandithage as a Director, who has reached the age of 71, Mr. R. Seevaratnam as a Director, who has reached the age of 75 and Mr S.C. Algama as a director, who has reached the age of 70.

REVIEW OF PERFORMANCE

A review of performance and future outlook of the Group is available in the Message from the Chairman (pages 4 to 6) and Reflecting on value created section appearing on page 17 to 38.

Investment activities during the year

The company invested Rs. 40 million during the year in DIMO Lanka Company Limited, a subsidiary of the company which operates as our investment arm in Myanmar. DIMO Lanka Company Limited in turn invested Rs. 23 million in United DIMO Company Limited during 2018/19 financial year. There was no change in the percentage of shareholding in subsidiaries during the year.

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. A report on compliance with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka is available in the company website at www.dimolanka.com/stewardship/.

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 Financial Statements for the year ended 31st March 2019 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 106 to 164.

FINANCIAL RESULTS AND APPROPRIATIONS

Turnover

The total gross Group turnover generated by the 06 business segments was Rs. 38,300 million (2017/18 - Rs. 43,686 million), while the turnover of the Company was Rs. 33,539 million (2017/18 - Rs. 40,711 million). A segment wise analysis is given in Note 4.2 appearing on pages 123 to 125.

PROFIT AND APPROPRIATIONS

The group profit after tax and group profit attributable to equity holders of the parent for the year were Rs. 77 million (2017/18 - Rs.523 million) and Rs. 51 million (2017/18 - Rs. 519 million) respectively, whilst the loss after tax of the Company was Rs. 213 million (2017/18 - Profit of Rs. 325 million).

The Group total comprehensive income attributable to parent was Rs. 65 million (2017/18 - Rs. 1,758 million) and the Company's total comprehensive loss for the year was Rs. 210 million (2017/18 - Income of Rs. 1,554 million).

DIVIDEND AND RESERVES

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No.7 of 2007 for the first & final dividend proposed. A solvency certificate has been sought in respect of the first & final dividend of Rs. 2.50 per share proposed to be paid to those shareholders on the register as of 06th June 2019.

Total Group Reserves as at 31st March 2019 amounts to Rs. 11,316 million (2017/18 - Rs. 11,320 million). The composition of the reserves is shown in the Statement of Changes in Equity in the Financial Statements.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

Sections 7.10.3.b. and 7.10.4.e. of the Listing Rules of the Colombo Stock Exchange taken together specify that a Non- Executive Director shall not be considered independent if he/she has served on the Board for a period of nine years from the date of the first appointment, unless the Board taking into account all the circumstances, is of the opinion that the Director is nevertheless 'independent' and specify the criteria not met and the basis of its determination in the Annual Report.

Dr. H. Cabral 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 by the Institute of Chartered Accountants of Sri Lanka. The terms of reference of each Committee is set by the Board.

BOARD AND BOARD COMMITTEE MEETINGS

The number of Board meetings held and the number of meetings attended by the Directors is given on page 46. The number of Board Committee meetings held and the attendance of members are given in the respective Committee Reports appearing on pages 55 to 59.

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

Directors' remuneration is given in Note 4.5 to the Financial Statements.

DIRECTORS' SHAREHOLDINGS

Shareholdings of Directors and their spouses, as required by Listing Rules of the Colombo Stock Exchange, are given on page 167 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 2019.

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 98 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.

EMPLOYEE SHARE OWNERSHIP PLANS

The Group does not operate any share option schemes.

RELATED PARTY TRANSACTIONS

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 2019, 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 2018 audited Financial Statements, which required additional disclosures in the 2018/19 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 Company identifies related parties as defined by LKAS 24. The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying related parties. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

ACCOUNTING POLICIES

The significant Accounting Policies adopted by the Group and the Company are given on pages 112 to 162.

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 2019 and of their performance for the year ended on that date.

INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

The Company's Independent 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 102 to 105 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 Directors' Statement on Internal Controls (page 99) and on pages 61 to 66 of this annual report.

GOING CONCERN

The Board of Directors, after reviewing the Company's Business Plans, is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company and its subsidiaries as going concerns.

CORPORATE GOVERNANCE

Pages 40 to 60 shows the governance structure of the group and 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 on pages 61 to 66 of this Annual Report.

EMPLOYMENT

Pages 75 to 77 covers in detail the group's practices and policies relating to selection, training, development, promotion and employee relations.

There were no material issues pertaining to employees or industrial relations during the year.

SHARE INFORMATION

Information relating to shareholding, market value of shares, public shareholding and top twenty shareholders are available on pages 166 to 167 under 'Share Information'.

EQUITABLE TREATMENT OF SHAREHOLDERS

The Company has made all endeavours to ensure that all shareholders are treated equitably.

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given in page 178 of this Report

DONATIONS

The Group and the Company made donations during the year amounting to Rs. 2.9 million and Rs. 2.8 million respectively (2017/18 - Group: Rs. 7.6 million, Company - Rs. 7.3 million).

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group and the Company incurred Rs. 502 million and Rs. 391 million respectively (2017/18 - Group: Rs. 444 million, Company: Rs. 404 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. 7.7 million whilst the investment in intangible assets by the Company was also Rs. 7.7 million. (2017/18 – Group: Rs. 123 million, Company: Rs. 5 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 2019 amounted to Rs.425 million (2017/18- 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.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of knowledge and belief of the Board of Directors, the Group/Company has not engaged in any activity, which contravenes laws and regulations of the country.

ENVIRONMENTAL PROTECTION

Policies and endeavours made on environmental preservation by the Group and the Company are covered on pages 81 to 85.

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 164.

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, 27th June, 2019 at 12.00 p.m. The notice of Annual General Meeting is given on page 180.

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

25th May 2019
Colombo

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 163 to 164. In addition, the Company carries out transactions in the ordinary course of business with entities where a 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 2019 (Rs.'000)	Outstanding as at 31st Mar 2018 (Rs.'000)
Mr. A.M Pandithage				
Advantis Projects & Engineering (Pvt) Ltd	Director	Repairing and servicing of Vehicles	176	231
		Sales of Spare parts	931	286
Alumex PLC*	Director	Sales of Spare parts	361	114
		Repairing and servicing of Vehicles	91	5
Dipped Products PLC	Director	Repairing and servicing of Vehicles	232	115
Fentons Ltd	Director	Vehicle Hiring	432	-
Fentons Ltd	Director	Sales of Spare parts and lighting products	-	670
Haycarb PLC	Director	Repairing and servicing of Vehicles	335	14
Hayleys Advantis Ltd	Director	Repairing and servicing of Vehicles	563	63
Hayleys Aventura (Private) Limited	Director	Sales of Spare parts	-	561
Hayleys Fabric PLC	Director	Repairing and servicing of Vehicles	72	113
		Sales of Spare parts	-	142
Hayleys Free Zone Limited	Director	Repairing and servicing of Vehicles	1,976	38
Hayleys Lifesciences (Pvt) Limited	Director	Sales of Spare parts	31	137
Hayleys PLC*	Chairman/Director	Repairing and servicing of Vehicles	395	107
Hayleys Tours (Pvt) Limited	Director	Repairing and servicing of Vehicles	40	-
Horana Plantations PLC	Director	Repairing and servicing of Vehicles	-	366
		Sales of Spare parts	-	94
Kelani Valley Plantations PLC	Director	Repairing and servicing of Vehicles	-	153
Lanka Orient Express Lines Ltd	Director	Repairing and servicing of Vehicles	163	20
Logistics International Limited	Director	Sales of Spare parts	-	4
Logiwiz Ltd	Director	Repairing and servicing of Vehicles	13,037	959
		Vehicle Hiring	51	-
Presto Lanka Engineers	Director	Sales of Spare parts	11	-
Ravi Industries Ltd	Director	Repairing and servicing of Vehicles	-	10
		Sales of Vehicles	-	365
S & T Interiors (Pvt) Ltd	Director	Sales of Spare parts	-	33
Singer (Sri Lanka) PLC	Director	Repairing and servicing of Vehicles	512	3191
		Sales of Spare parts	416	-
Sri Lanka Shipping Co Ltd	Director	Repairing and servicing of Vehicles	677	687
Talawakelle Tea Estates PLC	Director	Sales of Spare parts	-	46
The Kingsbury PLC	Director	Sales of Spare parts	66	73
Uni Dil Packing Limited	Director	Repairing and servicing of Vehicles	36	106
Mr. R. Seevaratnam				
Alpha Apparels Ltd	Director	Repairing and servicing of Vehicles	556	40
Benji Limited	Director	Repairing and servicing of Vehicles	143	-
Distilleries Company of Sri Lanka PLC	Director	Repairing and servicing of Vehicles	156	269
		Sales of Spare parts	183	27
Lankem Ceylon PLC	Director	Repairing and servicing of Vehicles	75	52
		Sales of Spare parts	-	250
Nestle Lanka PLC	Director	Advance for repairing and servicing of Vehicles	(6,303)	36
		Sales of Spare parts and lighting products	7,014	20,600
		Sales of Vehicles	-	242
Omega Line Ltd	Director	Repairing and servicing of Vehicles	35	256
Tokyo Cement Company Lanka PLC**	Director	Repairing and servicing of Vehicles	2,161	8,870
		Sales of Spare parts	97	234
		Sales of Vehicles	-	4457
Mr. A.D.B. Talwatte				
Central Finance Co PLC	Director	Repairing and servicing of Vehicles	166	82
		Sales of Spare parts	18	321
		Sales of Vehicles	8,857	-
Ceylon Hospitals PLC	Director	Sales of Spare parts	-	2,987
Chevron Lubricants Lanka PLC	Director	Purchase of Lubricants	(387)	-
Sunshine Healthcare Lanka Limited	Director	Repairing and servicing of Vehicles	38	-
Dr. Harsha Cabral				
Tokyo Cement Power (Lanka) Ltd	Director	Repairing and servicing of Vehicles	59	140
Tokyo Eastern Cement Company (Private) Ltd	Director	Repairing and servicing of Vehicles	472	431
		Sales of Spare parts	-	1,390
Tokyo Super Mix (pvt) Ltd	Director	Repairing and servicing of Vehicles	125	-
		Sales of Spare parts	136	-

* Dr. Harsha Cabral who is a Director of the Company is also a Director of these Companies listed under the name of Mr. A.M Pandithage.

** Mr. A.D.B. Talwatte and Dr. Harsha Cabral who are Directors of the Company are also Directors of these Companies listed under the name of Mr. R. Seevaratnam.

BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors 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.

Currently, the Board has established a process for identifying, evaluating and managing the significant risks faced by the Company. This process includes enhancing the system of internal controls of the Company as and when there are changes to business environment and regulatory guidelines.

However, this internal control system is designed to manage the Company's key areas of risk. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatements of losses.

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established by the Board in reviewing the adequacy and integrity of the system of internal controls include the followings:

- The Board Committees and the Group Management Committee are established to assist the Board in ensuring the effectiveness of the Group's operations and that the Group's operations are directed towards corporate strategy, objectives, annual budget and policies taking 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 of the Group and Company. The Group Internal Audit function operates according to the annual audit plan which is reviewed and approved by the Audit Committee. Their findings of the audits are submitted to the Audit Committee for review at their periodic meetings
- The Audit Committee approves the annual audit plan, reviews internal control issues identified by the Group Internal Auditors, the Independent External Auditors, regulatory authorities and the management and evaluates the adequacy and effectiveness of the internal control system. Activities undertaken by the Audit Committee are set out in the Audit Committee Report on page from 55 to 56.

CONFIRMATION

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 are prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The consolidated financial statements for the year ended 31st March 2019 have been audited by Messrs. KPMG, Chartered Accountants.

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

25th May 2019
Colombo

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Responsibility Statement on preparation and presentation of Financial Statements in the Annual Report together with a statement by the Auditors about their reporting responsibilities.

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors on pages from 102 to 105.

As per the provision of sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No 7 of 2007, the Directors are responsible to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group, and the profit or loss of the Company and the Group for the financial year.

The Financial Statements comprise of:

- Statement of Profit or Loss and Other Comprehensive Income of the Group and the Company
- Statement of Financial Position of the Group and the Company
- Statement of Changes in Equity of the Group and the Company
- Statement of Cash Flows of the Group and the Company
- Notes to the Financial Statements

The Directors are also required to place these Financial Statements before a general meeting of shareholders.

The Directors are also responsible, under section 148 of the Companies Act, for ensuring that proper accounting records are kept to enable determination of financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented.

The Directors also are responsible for taking reasonable measures to safeguard the assets of the Group and the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to provide the Auditors with every opportunity to take whatever steps necessary to enable them to form their audit opinion.

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2019 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.

Directors confirm that;

- appropriate Accounting Policies have been selected and used in a consistent manner, and material departures, if any, have been disclosed and explained and;
- the Financial Statements of the Group and the Company are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- Listing Rules of the Colombo Stock Exchange are complied with.
- to the best of their knowledge, are satisfied that all statutory payments in relation to all relevant regulatory and authorities which were due and payable by the Company and its subsidiaries as at the reporting date have been paid or where relevant provided for.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board,

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

25th May 2019
Colombo

FINANCIAL CALENDAR -2018/2019

	Submitted on
Interim Financial Statements - Submission to the Colombo Stock Exchange (CSE)	
Three months ended 30th June 2018	1st August 2018
Six months ended 30th September 2018	15th November 2018
Nine months ended 31st December 2018	15th February 2019
Twelve months ended 31st March 2019	31st May 2019
Annual Report – Financial year ended 31st March 2019	4th June 2019
74th Annual General Meeting to be held on	27th June 2019
First and final dividend for 2018/2019	17th June 2019

INDEPENDENT AUDITOR'S REPORT

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

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Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF DIESEL AND MOTOR ENGINEERING PLC

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Diesel and Motor Engineering PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at March 31, 2019, 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 106 to 164.

In our opinion, the accompanying financial statements of the Group and the Company give a true and fair view of the financial position of the Group and the Company as at March 31, 2019, 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 consolidated financial statements and the company financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements and the company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and adoption of SLFRS 15

See note 3.7 for Use of Judgments and Estimates and note no 4.1 for information and accounting policy and refer to the accounting policy 3.8.2 for the transition disclosures provided for the adoption of SLFRS 15.

Risk Description	Our Response
The Group carries out its business operations in different sectors which result in high volume of revenue transactions in different revenue streams which requires judgment in some of the revenue transactions in order to determine the timing and the amount of revenue recognition. Further, in accordance with Sri Lanka Auditing Standards (SLAuS), there is a presumed fraud risk relating to revenue recognition. The Group has adopted SLFRS 15 from 1st April 2018 and some of the revenue recognition requires judgement which will increase the risk of misstatements of revenue, deferred income and other related balances.	Our audit procedures included among others; • Testing key controls assisted by our own IT Specialist over the revenue recognition. • Performing detailed analysis of revenue, testing the timing of its recognition and accuracy of the amounts recognized specially in relation to service contracts, performing focused substantive testing procedures based on our industry knowledge which including among other testing on sample basis of the; - Revenue recognition on the service contracts. - Adjustments to the revenue which are outside of the normal billing process.

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Risk Description	Our Response
Further, adoption of SLFRS 15 requires new and revised accounting policies, new judgment and estimates, new processes, data and controls that have not been subject to testing previously and disclosures including the transition adjustments.	- Recognition of deferred income on future performance obligations and on the variable considerations. - Cut-off procedures of revenue and verification of the supporting information of the revenue transactions.
We consider this as a key audit matter because of the significant judgment and estimates associated with the appropriate recognition of revenue in the correct accounting period and transition adjustment relating to adoption SLFRS 15.	With respect to the adoption of SLFRS 15, we have performed the evaluating of the gaps identified by the management, assessing the impacts not considered based on the materiality assessing the methodology used by the management over the computations and evaluating the completeness, relevance and accuracy of the data need and evaluation of the reasonableness of management's key assumptions and estimates that have been used in determining the impact of SLFRS 15. We have also assessed appropriateness of revenue recognition under SLFRS 15 and the opening impact adjustment for a sample of contracts. Reviewing the adequacy, relevance and accuracy of the new and amended accounting policies and disclosures in the financial statements including the transition disclosures.

Impairment of Trade Receivables and adoption of SLFRS 09

See note 3.7 for Use of Judgments and Estimates and note no 4.16 for information and accounting policy and refer to the accounting policy 3.8.1 for the transition disclosures provided for the adoption of SLFRS 09.

Risk Description	Our Response
The Group has recognized a total impairment provision of Rs. 642 million on total trade receivables amounting to Rs. 7,609 million. Impairment allowances represent management's best estimate of the expected credit losses on trade receivables at the reporting date. They are calculated for individually significant trade receivables and on a collective basis for portfolios of trade receivables of a similar nature. The calculation of impairment allowances is inherently judgmental for any institution. The Group uses both specific assessment and collective assessment for impairment and specific receivables are individually assessed for impairment by considering objective evidence and based on the expected realization of those balances.	Our audit procedures among others included: • 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. • 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. and perform re-computation over the computation. • 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 impairment.

Risk Description	Our Response
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 and expected economic and credit conditions. The inputs to these models are subject to management judgment and model overlays are often required. Further, we have specifically focused on impairment due to the materiality of the balances and the subjective nature of the calculation. The Group has adopted SLFRS 09 from 1st April 2018 and there was no significant impact on the classification, measurement and impairment with the adoption of SLFRS 09.	• Assessing the completeness and the adequacy of the new accounting policy over the impairment together with new disclosure requirements including the transition disclosures.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's/ Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and Group/ Company 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 Group's and the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's/ Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group/Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

Chartered Accountants

Colombo, Sri Lanka
25th May 2019

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 2019 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
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements comprising of Basis of Accounting (Section 3), 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 94 to 97, 100 and 108 respectively, of this Annual Report.

AUTHORISATION OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

The Financial Statements for the year ended 31st March 2019, were authorised for issue by the Board of Directors on 25th May 2019.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group 2019 Rs.'000	Group 2018 (Restated) Rs.'000	Group Change %	Company 2019 Rs.'000	Company 2018 (Restated) Rs.'000	Company Change %
Revenue	4.1	38,300,350	43,686,158	-12%	33,538,829	40,710,842	-18%
Sales taxes		(283,615)	(250,797)	13%	(201,168)	(202,458)	-1%
Net revenue		38,016,735	43,435,361	-12%	33,337,661	40,508,384	-18%
Cost of sales		(30,783,964)	(36,344,317)	-15%	(27,471,345)	(34,277,501)	-20%
Gross profit		7,232,771	7,091,044	2%	5,866,316	6,230,883	-6%
Other operating income	4.3	170,093	156,848	8%	174,589	151,033	16%
Selling and distribution expenses		(736,643)	(946,636)	-22%	(604,727)	(876,366)	-31%
(Provision for)/Reversal of impairment of trade receivables	4.16.1	(177,810)	81,013	-319%	(185,283)	87,542	-312%
Administrative expenses		(5,004,031)	(4,775,941)	5%	(4,206,519)	(4,257,115)	-1%
Operating profit		1,484,380	1,606,328	-8%	1,044,376	1,335,977	-22%
Finance income		176,266	171,368	3%	179,921	154,264	17%
Finance costs		(1,525,864)	(1,058,109)	44%	(1,455,855)	(1,038,623)	40%
Net finance costs	4.4	(1,349,598)	(886,741)	52%	(1,275,934)	(884,359)	44%
Share of loss of equity accounted investee, net of tax	4.12.5	(30,663)	(2,980)	929%	(30,663)	(2,980)	929%
Profit/(Loss) before tax	4.5	104,119	716,607	-85%	(262,221)	448,638	-158%
Income tax (expense) /reversal	4.6	(27,436)	(193,391)	-86%	48,898	(123,733)	-140%
Profit/(Loss) for the year		76,683	523,216	-85%	(213,323)	324,905	-166%
Other Comprehensive Income							
Items that will not be reclassified to profit or loss							
Remeasurement of defined benefit obligation	4.23.1	12,179	38,019	68%	160	27,013	99%
Deferred tax charge on actuarial gain	4.24.2	(3,410)	(10,646)	-68%	(45)	(7,564)	-99%
Revaluation of freehold land	4.9	-	2,780,984	-100%	-	2,780,984	-100%
Deferred tax charge on Land revaluation		-	(1,571,993)	-100%	-	(1,571,993)	-100%
Equity investments at FVOCI – net change in fair value		(1,462)	-	100%	(1,514)	-	100%
		7,307	1,236,364	-99%	(1,399)	1,228,440	100%
Items that are or may be reclassified subsequently to profit or loss							
Foreign operations- foreign currency translation differences	4.21.1	7,013	1,892	271%	5,040	(85)	-6029%
Available-for-sale financial assets – net change in fair value		-	371	-100%	-	363	-100%
		7,013	2,263	210%	5,040	278	1713%
Total other comprehensive income, net of tax		14,320	1,238,627	99%	3,641	1,228,718	100%
Total comprehensive income for the year		91,003	1,761,843	-95%	(209,682)	1,553,623	-113%
Profit/(Loss) attributable to:							
Owners of the Company		51,307	519,309	-90%	(213,323)	324,905	-166%
Non-controlling interest		25,376	3,907	550%	-	-	-
		76,683	523,216	-85%	(213,323)	324,905	-166%
Total comprehensive income attributable to:							
Owners of the Company		65,093	1,757,746	-96%	(209,682)	1,553,623	-113%
Non-controlling interest		25,910	4,097	532%	-	-	-
		91,003	1,761,843	-95%	(209,682)	1,553,623	-113%
Basic and diluted earnings/(loss) per share(Rs.)	4.7	5.78	58.50		(24.03)	36.60	

Figures in brackets indicate deductions.

The Notes appearing on pages 112 to 1164 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2019 Rs.'000	Group 2018 (Restated) Rs.'000	Company 2019 Rs.'000	Company 2018 (Restated) Rs.'000
Assets					
Property, plant and equipment	4.9	11,524,518	11,452,530	11,151,036	11,128,864
Lease rentals paid in advance	4.10	17,911	20,116	17,911	20,116
Intangible assets and goodwill	4.11	135,215	134,849	17,592	17,226
Investments in subsidiaries	4.12.1	-	-	514,576	474,220
Equity accounted investee	4.12.5	40,414	55,098	40,414	55,098
Equity Securities	4.14	6,897	8,296	6,816	8,267
Deferred tax assets	4.24	51,336	24,906	-	-
Total non-current assets		11,776,291	11,695,795	11,748,345	11,703,791
Inventories	4.15	8,360,450	9,561,038	7,275,511	8,915,805
Trade and other receivables	4.16	6,974,219	5,997,911	4,832,912	4,466,471
Other current assets	4.17	1,643,360	934,878	1,410,437	613,467
Current tax asset	4.29	304,642	121,978	293,608	118,510
Amounts due from related parties	4.30.1	18,204	9,860	135,646	100,842
Cash and cash equivalents	4.18	223,026	265,532	119,102	191,538
Total current assets		17,523,901	16,891,197	14,067,216	14,406,633
Total assets		29,300,192	28,586,992	25,815,561	26,110,424
Equity and Liabilities					
Equity					
Stated capital	4.19	425,297	425,297	425,297	425,297
Other components of equity	4.21	4,055,979	4,050,962	4,052,680	4,049,154
Revenue reserves	4.20	7,259,568	7,268,900	5,890,962	6,148,714
Equity attributable to owners of the Company		11,740,844	11,745,159	10,368,939	10,623,165
Non-controlling interests	4.12.4	339,607	304,203	-	-
Total equity		12,080,451	12,049,362	10,368,939	10,623,165
Long-term borrowings	4.22.1	490,180	312,505	490,180	310,140
Finance lease liabilities	4.22.3	6,886	5,683	-	-
Employee benefits	4.23	736,445	661,415	686,890	609,222
Deferred tax liabilities	4.24	1,809,338	1,864,432	1,809,338	1,861,319
Contract liabilities	4.25.1	76,992	-	29,578	-
Deferred income	4.25.2	-	35,662	-	22,813
Total non-current liabilities		3,119,841	2,879,697	3,015,986	2,803,494
Trade payables	4.27	1,905,473	2,974,203	1,482,480	2,495,928
Other current liabilities	4.28	1,748,399	1,538,629	1,205,538	1,150,794
Current portion of long-term borrowings	4.22.1	354,044	282,350	351,363	281,236
Current portion of finance lease liabilities	4.22.3	7,040	11,333	-	-
Current portion of contract liabilities	4.25.1	684,978	-	418,591	-
Current portion of deferred income	4.25.2	66,615	225,581	66,615	94,983
Current tax liability	4.29	43,411	31,769	-	-
Short-term borrowings	4.22.2	9,289,940	8,594,068	8,715,598	8,161,883
Amounts due to related parties	4.30.1	-	-	190,451	498,941
Total current liabilities		14,099,900	13,657,933	12,430,636	12,683,765
Total liabilities		17,219,741	16,537,630	15,446,622	15,487,259
Total equity and liabilities		29,300,192	28,586,992	25,815,561	26,110,424
Net assets per share		1,322.70	1,323.18	1,168.14	1,196.78

Certification

These Financial Statements as set out on pages 106 to 164 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

25th May 2019
Colombo

The Notes appearing on pages 112 to 164 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: Fair value 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 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 (Restated Note 3.6.1)									
Profit for the year		-	-	-	-	-	519,309	3,907	523,216
Other comprehensive income, net of tax		-	1,208,991	371	1,702	-	27,373	190	1,238,627
Total comprehensive income (Restated Note 3.6.1)		-	1,208,991	371	1,702	-	546,682	4,097	1,761,843
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	2,101,610	304,203	12,049,362
As at 01st April 2018		425,297	4,042,268	6,992	1,702	5,167,290	2,101,610	304,203	12,049,362
Impact of adoption of SLFRS 15	3.8.2.1	-	-	-	-	-	(80,347)	-	(80,347)
Adjusted balance as at 01st April 2018		425,297	4,042,268	6,992	1,702	5,167,290	2,021,263	304,203	11,969,015
Capital contribution from non-controlling interest		-	-	-	-	-	-	9,494	9,494
Profit for the year		-	-	-	-	-	51,307	25,376	76,683
Other comprehensive income, net of tax		-		(1,462)	6,479	-	8,769	534	14,320
Total comprehensive income		-	-	(1,462)	6,479	-	60,076	25,910	91,003
Transactions with owners of the Company contributions and distributions									
Increase in net assets of DIMO Coastline (Pvt) Ltd		-	-	-	-	-	10,939	-	10,939
Transfer during the year		-	-	-	-	225,000	(225,000)	-	-
Total contributions and distributions		-	-	-	-	225,000	(214,061)	-	10,939
As at 31st March 2019		425,297	4,042,268	5,530	8,181	5,392,290	1,867,278	339,607	12,080,451
Company									
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
As at 01st April 2018		425,297	4,042,268	6,971	(85)	4,779,464	1,369,250	-	10,623,165
Impact of adoption of SLFRS 15	3.8.2.1	-	-	-	-	-	(55,483)	-	(55,483)
Adjusted balance as at 01st April 2018		425,297	4,042,268	6,971	(85)	4,779,464	1,313,767	-	10,567,682
Total Comprehensive Income									
Loss for the year		-	-	-	-	-	(213,323)	-	(213,323)
Other comprehensive income, net of tax		-		(1,514)	5,040	-	115	-	3,641
Total comprehensive income		-	-	(1,514)	5,040	-	(213,208)	-	(209,682)
Transactions with owners of the Company contributions and distributions									
Increase in net assets of DIMO Coastline (Pvt) Ltd		-	-	-	-	-	10,939	-	10,939
Transfer during the year		-	-	-	-	150,000	(150,000)	-	-
Total contributions and distributions		-	-	-	-	150,000	(139,061)	-	10,939
As at 31st March 2019		425,297	4,042,268	5,457	4,955	4,929,464	961,498	-	10,368,939

The General Reserve and Retained Earnings represent reserves available for distribution.
Fair value reserve consists of net unrealised gains/(losses) arising from fair valuation of Equity Securities designated at FVOCI (2017/18 -Available-for-sale financial assets, excluding the impact arising from impairment of assets).
Figures in brackets indicate deductions. The Notes appearing on pages 112 to 164 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group 2019 Rs.'000	Group 2018 (Restated) Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Cash Flows from Operating Activities					
Profit/(Loss) before taxation		104,119	716,607	(262,221)	448,638
Adjustments for					
Depreciation on property, plant and equipment	4.9	410,601	355,897	362,402	344,879
Amortisation of intangible assets and lease rentals paid in advance	4.5	9,577	14,475	9,577	14,468
(Reversal of) /Provision for impairment of investments in subsidiaries	4.12.2	-	-	(137)	126
Gains on sale of property, plant and equipment	4.3	(18,079)	(18,480)	(12,650)	(16,791)
Gain on bargain purchase through business combinations	4.3	-	(7,624)	-	-
De-recognition of capital work-in-progress	4.9	178	645	178	645
Interest expenses	4.4	1,525,864	1,058,109	1,455,855	1,038,623
Interest income	4.4	(107,719)	(19,222)	(104,866)	(14,308)
Dividend income	4.3	(167)	(480)	(167)	(480)
Share of loss of equity accounted investee, net of tax	4.12.5	30,663	2,980	30,663	2,980
Provision for/(Reversal of) impairment of trade receivables	4.5	177,810	(81,013)	185,283	(87,542)
Provision for/(Reversal of provision for) slow moving inventories	4.5	14,122	(56,078)	9,039	(66,985)
Provision for employee benefits obligation excluding actuarial gain	4.5.1	124,336	121,549	112,185	110,530
		2,271,305	2,087,365	1,785,141	1,774,783
Changes in working capital					
Decrease/(increase) in inventories		1,186,466	(336,582)	1,631,255	(274,455)
Increase in trade and other receivables		(1,154,118)	(1,359,533)	(551,724)	(1,135,036)
(Increase)/decrease in other current assets		(706,509)	188,862	(794,485)	210,979
Increase in amounts due from related parties		(8,344)	(9,860)	(22,221)	(21,523)
(Decrease)/Increase in trade payables		(1,068,730)	1,184,874	(1,013,448)	932,747
Increase/(decrease) in other current liabilities		187,157	151,690	32,131	(28,017)
(Decrease)/increase in deferred Income		(194,628)	(74,652)	(51,181)	9,177
Increase in contract liabilities		674,676	-	390,809	-
Increase/(decrease) in amounts due to related parties		-	-	(329,267)	303,792
Cash generated from operating activities		1,187,275	1,832,164	1,077,010	1,772,447
Interest paid		(1,494,678)	(1,038,766)	(1,410,461)	(1,019,446)
Employee benefits paid	4.23	(37,127)	(59,563)	(34,357)	(58,207)
Income tax paid	4.29	(281,934)	(270,777)	(178,226)	(223,077)
Net cash (used in)/from operating activities		(626,464)	463,058	(546,034)	471,717
Cash Flows from Investing Activities					
Net proceeds from sale of property, plant and equipment		45,388	30,634	18,920	25,611
Dividends received		104	379	104	379
Interest received		104,207	19,677	89,798	14,308
Investment in subsidiary		-	-	(40,218)	(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	(502,011)	(444,089)	(391,023)	(403,736)
Acquisition of intangible assets	4.11	(7,738)	(5,445)	(7,738)	(5,445)
Net cash used in investing activities		(360,050)	(1,113,776)	(330,157)	(810,748)

For the year ended 31st March	Note	Group 2019 Rs.'000	Group 2018 (Restated) Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Cash Flows from Financing Activities					
Capital contribution from non-controlling interest of a newly incorporated subsidiary		9,494	9,122	-	-
Proceeds from long-term borrowings	4.22.1.1	600,000	-	600,000	-
Repayment of long-term borrowings	4.22.1.1	(350,758)	(317,061)	(349,960)	(316,990)
Net movement of short-term borrowings		999,926	642,872	826,260	331,357
Repayment of finance lease liabilities	4.22.3	(13,013)	(1,525)	-	-
Dividends paid	4.20	-	(177,529)	-	(177,529)
Net cash from/(used in) financing activities		1,245,649	155,879	1,076,300	(163,162)
Net increase/(decrease) in cash and cash equivalents		259,135	(494,839)	200,109	(502,193)
Cash and cash equivalents as at 01st April		(335,995)	158,776	(332,049)	170,144
Effect of exchange rate changes on cash and cash equivalents		2,413	68	-	-
Cash and cash equivalents as at 31st March (Note-A)		(74,447)	(335,995)	(131,940)	(332,049)
Note - A					
Analysis of Cash and cash equivalents as at 31st March					
Cash and bank balances	4.18	223,026	265,532	119,102	191,538
Bank overdrafts	4.22.2	(297,473)	(601,527)	(251,042)	(523,587)
Cash and cash equivalents		(74,447)	(335,995)	(131,940)	(332,049)

Figures in brackets indicate deductions.
The Notes appearing on pages 112 to 164 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, principal 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, import and sale of vehicle spares, components, accessories, lamps, batteries, 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.
PlantSeeds (Private) Limited	Sri Lanka	Import and sale of hybrid seeds and production, processing and distribution of seed paddy, hybrid seeds and vegetable seeds
DIMO Lanka Company Limited	Republic of the Union of Myanmar	Acts as the investing arm of Diesel and Motor Engineering PLC in Myanmar. Currently carries out operation of automobile after services and repairs through its subsidiary, United Dimo Company Limited.
United DIMO 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 14 and 15.

*During the year United DIMO Lanka Company Limited changed its name to United DIMO Company Limited.

SECTION 3 - BASIS OF ACCOUNTING

This section covers the basis of preparation of Financial Statements including policies, assumptions, judgements, estimates, and adoption of Sri Lanka Accounting Standards (SLFRSs/LKASs). Accounting policies and basis for judgements and estimates that are specific to notes in section 4, is given in the relevant note.

3.1 STATEMENT OF COMPLIANCE

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE). The SLFRSs and LKASs are available at www.casrilanka.com.

This is the first set of the Group's annual consolidated financial statements in which SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3.8.

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
Equity instruments at FVOCI	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 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

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless indicated otherwise.

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.

3.6.1. Restatement

Re-assessment of Contingent consideration

The consideration paid by Diesel and Motor Engineering PLC for acquisition of PlantChem (Pvt) Ltd and PlantSeeds (Pvt) Ltd in February 2018 was Rs. 345.5 million. At the time of acquisition a contingent consideration existed, which was subsequently assessed on 31st March 2019. The amount crystallised from the contingent consideration amounted to Rs. 21.7 million. Therefore the total consideration for acquisition of PlantChem (Pvt) Ltd and PlantSeeds (Pvt) Ltd is Rs. 367 million. A Goodwill and a bargain purchase of Rs.102.99 million and Rs. 38.6 million respectively was recorded at the time of acquisition.

During the year 2018/19, the contingent consideration crystallised was adjusted in to the financial statements as a measurement period adjustment as permitted by SLFRS 3 - Business combination. Accordingly, the company retrospectively adjusted the provisional amount of contingent consideration to reflect the fair value of the liability that existed as of the acquisition date.

The following tables summarise the impacts on the Financial Statements due to the above;

Impact to statement of financial position

	Group			Company		
As at 31st March 2018	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Intangible assets and goodwill	120,219	14,630	134,849	-	-	-
Investments in subsidiaries	-	-	-	428,591	45,629	474,220
Total Assets	28,572,362	14,630	28,586,992	26,064,795	45,629	26,110,424

As at 31st March 2018	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity and liabilities						
Retained Earnings	2,132,609	(30,999)	2,101,610	-	-	-
Total equity	12,080,361	(30,999)	12,049,362	-	-	-
Current liabilities						
Other current liabilities	1,493,000	45,629	1,538,629	1,105,165	45,629	1,150,794
Total liabilities	16,492,001	45,629	16,537,630	15,441,630	45,629	15,487,259

Impact to statement of profit or loss and other comprehensive income

For the year ended 31st March 2018	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other operating income	187,847	(30,999)	156,848	-	-	-
Profit for the year	554,215	(30,999)	523,216	-	-	-
Earnings per share (Rs.)	62.00		58.50	-	-	-

Impact to Statement of Cash Flows

For the year ended 31st March 2018	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before taxation	747,606	(30,999)	716,607	-	-	-
Gain on bargain purchase through business combinations	(38,623)	30,999	(7,624)	-	-	-
Net cash from/(used in) operating activities	463,058	-	463,058	-	-	-
Net decrease in cash and cash equivalents	(1,113,776)	-	(1,113,776)	-	-	-

3.7 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Group/Company require the Management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities, income, expenses and accompanying disclosures as well as the disclosure of contingent liabilities . 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 of these consolidated financial statements are described in following notes.

Accounting Policies	Note
Revenue Recognition	4.1
Impairment of non financial assets	3.10.3
Current tax & deferred tax asset	4.29
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
Acquisition of subsidiary	4.12

3.8 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The nature and effect of the changes arising from transition to SLFRS 9 - Financial instruments and SLFRS 15 - Revenue from Contracts with Customers which are effective for the annual reporting periods beginning on or after 1st January 2018, are described below. Except for the changes mentioned above, the Group has consistently applied the accounting policies as set out in Note 112 to 164, to all periods presented in these consolidated financial statements.

3.8.1 SLFRS 9 – Financial Instruments

SLFRS 9 replaced LKAS 39 - Financial Instruments: Recognition and Measurement, and brings significant changes to the classification and measurement of financial instruments and impairment assessment pertaining to such instruments.

The adoption of SLFRS 9 did not have a significant impact on the Group's/Company's classification, measurement and impairment of relevant financial assets and liabilities.

3.8.1.1 Classification and measurement

SLFRS 9 contains three principal classification categories for financial assets namely Financial Assets measured at amortised cost, Financial Assets measured at Fair Value Through Profit or Loss (FVTPL) and Financial assets measured at Fair value through other comprehensive income (FVOCI). This classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 classification of held to maturity, loans and receivables and available for sale.

SLFRS 9 retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss.

The following table summarises the changes made to the classification of Group financial assets and financial liabilities as at 01st April 2018;

Financial Statement Line item	Classification under LKAS 39	New classification under SLFRS 9
Financial assets		
Equity Securities	Available-for-sale	Equity investments at FVOCI
Trade and other receivables	Loans and receivables	Financial Assets measured at Amortised Cost
Amounts due from related parties	Loans and receivables	Financial Assets measured at Amortised Cost
Cash and cash equivalents	Loans and receivables	Financial Assets measured at Amortised Cost
Financial Liabilities		
Borrowings	Other financial liabilities	Other financial liabilities
Finance lease liabilities	Other financial liabilities	Other financial liabilities
Trade Payables	Other financial liabilities	Other financial liabilities
Amounts due to related parties	Other financial liabilities	Other financial liabilities
Bank Overdraft	Other financial liabilities	Other financial liabilities

More details on classification and measurement of above financial instruments are described in Note 4.13

3.8.1.2 Impairment Calculation

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt instruments at FVOCI, loan commitments and financial guarantee contracts.

The loss allowance is based on the ECLs associated with the probability of default in the next twelve months, unless there has been a significant increase in credit risk since its origination. If the credit risk on that financial asset has increased significantly since its initial recognition, the loss allowance is based on the change in the ECLs over the life time of the asset.

Details of the Group's impairment method is disclosed in Note 4.16 to the financial statements.

3.8.1.3 Changes in presentation of Financial Statements

As a result of the adoption of SLFRS 9, the Group has adopted a consequent amendment to LKAS 1 - Presentation of Financial Statements, which require impairment losses (including reversals of impairment losses or impairment gains) on financial assets to be presented in a separate line item in the Statement of Profit or Loss and Other Comprehensive Income. Previously the Group presented impairment of trade receivables under selling and distribution expenses. Although it is not explicitly required in SLFRS 9, the Group has reclassified and presented the comparative impairment loss/reversal on trade receivables (recognised under LKAS 39 Financial Instrument: Recognition and Measurement) from selling and distribution expenses.

3.8.1.4 Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied using the exemptions available for its retrospective application, as described below;

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement requirements (except presentation of impairment loss as a separate line item in the Financial Statements) . Accordingly, the information presented for 2017/18 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.
- With regard to designation of investment in equity instruments not held for trading as FVOCI, the assessment has been made on the basis of the facts and circumstances that existed at the date of initial application of SLFRS 9. Please refer Note 4.13 for more details of the assessment.

3.8.2 SLFRS 15 – Revenue from contracts with customers

SLFRS 15 supersedes LKAS 11 - Construction Contracts, LKAS 18 Revenue and related Interpretations. It applies, with limited exceptions, to all revenue arising from contracts with its customers. It establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised when a customer obtains control of the goods or services at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers including the determining the timing of the transfer of control of goods or services, at a point in time or over time. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

3.8.2.1 Recognition and measurement of revenue

Adoption of this standard did not impact to the timing of transferring control of goods or services. But, it has affected the amount of consideration to be recognised as revenue in the Financial Statements in following areas;

Revenue Category	Impact on Financial Statements	Accounting Treatment	
		Before the adoption of SLFRS 15	Requirement of SLFRS 15
Construction related business	The existence of a significant financing component in the contract when customer is providing a mobilisation advance	There was no adjustment made to the Financial Statements with regard to the financing component.	A mobilisation advance received from a contract provides the entity a significant benefit of financing the transfer of goods or service to the customer. The transaction price for such contracts is discounted, using the discount rate that would be reflected in a separate financing transaction between the Group/Company and its customers, taking into consideration the significant financing component. Accordingly, the Company should identify the interest expense on the mobilisation advance and accumulates the interest expense until the entity satisfies performance obligation related to contract. Upon satisfying performance obligation, the entity recognised revenue together with accumulated interest expense.
Sale of tyres/ fertiliser	The existence of a variable consideration in the transaction price when providing rebates	Recognised as sales commission under Selling and Distribution expense when customer claims the rebate	If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. Variable amount will be estimated based on the expected value method as allowed in SLFRS 15. Revenue arising from sale of tyres will be recognised net of the amount of rebates.

The following table summarises the impact of transition to SLFRS 15 on retained earnings as at 01st April 2018;

	Impact of adopting SLFRS 15 as at 01st April 2018	
	Group Rs.'000	Company Rs.'000
Retained earnings		
Existence of significant financing component in construction related contracts	12,737	719
Variable consideration on sale of tyres	61,894	49,048
Variable consideration on sale of fertiliser	5,716	5,716
Impact as at 01st April 2018	80,347	55,483

The following tables summarise the impact of adopting SLFRS 15 on the Groups'/Company's Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position as at 31st March 2019 on line items affected.

Impact on the Statement of Profit or Loss and Other Comprehensive Income

	Group			Company		
For the year ended 31st March 2019	Amount as reported Rs.'000	Impact from adopting SLFRS 15 Rs.'000	Amounts without adoption of SLFRS 15 Rs.'000	Amount as reported Rs.'000	Impact from adopting SLFRS 15 Rs.'000	Amounts without adoption of SLFRS 15 Rs.'000
Revenue	38,300,350	91,182	38,391,532	33,538,829	81,775	33,620,604
Selling and distribution expenses	(736,643)	(103,080)	(839,723)	(604,727)	(81,456)	(686,183)
Finance costs	(1,525,864)	6,947	(1,518,917)	(1,455,855)	(1,877)	(1,457,732)
Profit/(Loss) before tax	104,119	4,951	109,070	(262,221)	1,558	(260,663)
Total Comprehensive for the year	91,003	4,951	95,954	(209,682)	1,558	(208,124)

Impact on the Statement of Financial Position

	Group			Company		
For the year ended 31st March 2019	Amount as reported Rs.'000	Impact from adopting SLFRS 15 Rs.'000	Amounts without adoption of SLFRS 15 Rs.'000	Amount as reported Rs.'000	Impact from adopting SLFRS 15 Rs.'000	Amounts without adoption of SLFRS 15 Rs.'000
Equity						
Retained earnings	7,259,568	4,951	7,264,519	5,890,962	1,558	5,892,520
Total equity	12,080,451	4,951	12,085,402	10,368,939	1,558	10,370,497
Liabilities						
Trade payables	1,905,473	312,413	2,217,886	1,482,480	235,519	1,717,999
Deferred income	66,615	449,557	516,172	66,615	212,650	279,265
Contract liabilities	761,970	(761,970)	-	448,169	(448,169)	-
Total liabilities	17,219,741	-	17,219,741	15,446,622	-	15,446,622

3.8.2.2 Transition

The Group has adopted SLFRS 15 as at 1st April 2018 using the cumulative effect method with practical expedients. Accordingly, the information presented for 2017/18 has not been restated – i.e. it is presented, as previously reported, under LKAS 18, LKAS 11 and related interpretations. Additionally, the disclosure requirements in SLFRS 15 have not been applied to comparative information.

3.9 SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies are presented along with the relevant individual notes to the consolidated financial statements.

Those accounting policies presented with each note, have been applied consistently by the Group to all periods presented except for the changes of the Accounting policies due to the adoption of SLFRS 9 and SLFRS15.

SECTION 3 - BASIS OF ACCOUNTING

Set out below is an index of the significant accounting policies, the details of which are available on the pages indicated.

3.10 OTHER SIGNIFICANT ACCOUNTING POLICIES NOT COVERED WITH INDIVIDUAL NOTES

Following accounting policies, which have been applied consistently by the Group, are considered to be significant, and are not covered under individual notes in section 4.

3.10.1 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 de-recognises 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 consideration resulting from a contingent consideration arrangement is recognised at fair value at the acquisition date. The Company classifies an obligation arising from a contingent consideration that meets the definition of a financial instrument as a financial liability, or as equity if meets the definitions of an equity instrument. Changes in any fair value of contingent consideration that the Company recognises after the acquisition date may be the result of additional information that existed at the acquisition date, but acquired after the acquisition date. Such changes are considered as measurement period adjustments, if the period has not exceeded one year from the acquisition date.

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.

3.10.2 Foreign currency

Transactions and balances

Transactions in foreign currencies are translated into functional currency at the exchange rates prevailing at the dates of the transaction. 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 equity securities designated as FVOCI (except foreign currency differences relating to impairment) are recognised in Other Comprehensive income (OCI).

Share capital denominated in a currency other than the functional currency is initially converted using the exchange rate as at date of issue but is not re-translated.

Foreign operations

The results and financial position of entities whose functional currency is not Sri Lankan Rupee has been translated into Sri Lankan Rupees as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average exchange rates for the period.

(iii) Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

3.10.3 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 that would have been determined (net of depreciation or amortisation) had no impairment loss recognised in prior years.

3.10.4 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.

SECTION 3 - BASIS OF ACCOUNTING

3.11 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Sri Lanka Accounting Standard – SLFRS 16 "Leases" (SLFRS 16) which has been issued but not yet effective as at the reporting date has not been applied in preparing these Consolidated Financial Statements. The Group plans to apply this standard from its effective date:

A summary of the requirements stipulated by the standard and possible impact on financial statements, when implemented, is presented in the table below;

New or amended Standards	Summary of the requirements	Possible impact on Financial Statements
SLFRS 16 - 'Leases'	SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. lessee and lessor. SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations. SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.	The Group is currently assessing the potential impact on its financial statements resulting from the application of SLFRS 16.
	The new standard requires a lessee to: • Recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value • Present depreciation of lease assets separately, from interest on lease liabilities in the income statement. SLFRS 16 substantially carries forward the lessor accounting requirement under LKAS 17. Accordingly, a lessor continues to classify a lease either as an operating lease or a finance lease, and account for then accordingly. SLFRS 16 is effective for annual reporting periods beginning on or after 1st January 2019.	

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

This section provides specific accounting policies and accounting estimates in relation to the reported values in the Financial Statements with additional Notes and explanations thereon.

4.1 REVENUE

Policy Applicable from 01st April 2018

Accounting Policy

The Group/Company recognises revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration that the Group/Company is to be entitled in exchange for those goods or services. Determining the timing of the transfer of control of goods or services, at a point in time or over time, requires judgments taking into consideration the nature of goods or services that Group/Company offers.

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus a margin.

The Group/Company disaggregates its revenue into following categories based on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, usually on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates). The Group/Company estimate an amount of variable consideration by using the expected value method which is the sum of probability weighted amounts in a range of possible considerations.

Rendering of services

Revenue from rendering of services is recognised when the Group/Company satisfies each performance obligations by transferring a promised service to a customer.

Construction related contracts

Revenue from construction related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group/Company determines whether it satisfies the performance obligation over time or at a point in time. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The progress is assessed based on surveys of work performed . When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Service support income

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

The Group has initially applied SLFRS 15 from 1st April 2018. The effect of initially applying SLFRS 15 is described in Note 3.8.2.

Policy Applicable before 01st April 2018

Accounting Policy

Revenue was 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 identified 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 was 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 was recognised in Profit or Loss once all significant performance obligations have been provided.

Constructions related contracts

Revenue from construction related contracts was recognised in Profit or Loss in proportion to the stage of completion of the transaction at the reporting date.

The stage of completion was assessed based on surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue was recognised only to the extent of contract costs incurred that are likely to be recoverable.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

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.

4.1.1 Disaggregation of revenue from contracts with customers

In following tables, revenue from contract with customers is disaggregated by nature of the product and timing of revenue recognition.

4.1.1.1 Revenue by nature

For the year ended 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Revenue Source				
Sale of goods	33,491,449	39,084,565	30,961,805	37,745,259
Rendering of services	1,839,245	1,853,955	1,801,457	1,786,058
Constructions related contracts	2,781,409	2,546,593	688,977	1,111,203
Service support income	188,247	201,045	86,590	68,322
Total revenue	38,300,350	43,686,158	33,538,829	40,710,842

Revenue by Nature - Group

Revenue by Nature - Company

4.1.1.2 Timing of revenue recognition

For the year ended 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Revenue recognised at a point in time	35,518,941	41,139,565	32,849,852	39,599,639
Revenue recognised over time	2,781,409	2,546,593	688,977	1,111,203
	38,300,350	43,686,158	33,538,829	40,710,842

4.1.2 Reconciliation of revenue

Reconciliation between disaggregated revenue from contracts with customers and revenue information that is disclosed for each reportable segment is set out below;

	Group - 2019				
For the year ended 31 March	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle - Sales	20,109,851	206,528	-	1,370	20,317,749
Vehicle - After Services	3,102,009	1,142,537	-	-	4,244,546
Marketing and Distribution	3,969,672	28,174	408,245	-	4,406,091
Construction and Material Handling Equipment	1,162,589	458,676	277,200	85,220	1,983,685
Agriculture	4,149,328	3,330	-	-	4,152,658
Electro-Mechanical, Bio-Medical and Marine Engineering	998,000	-	2,095,964	101,657	3,195,621
	33,491,449	1,839,245	2,781,409	188,247	38,300,350

For the year ended 31 March	Company - 2019				
	Sale of goods	Rendering of services	Constructions related contracts	Service support income	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vehicle - Sales	20,109,941	206,528	-	1,370	20,317,839
Vehicle - After Services	3,102,554	1,104,259	-	-	4,206,813
Marketing and Distribution	3,775,156	28,664	411,777	-	4,215,597
Construction and Material Handling Equipment	1,181,894	458,676	277,200	85,220	2,002,990
Agriculture	2,792,260	3,330	-	-	2,795,590
	30,961,805	1,801,457	688,977	86,590	33,538,829

4.1.3 Contract balances

4.1.3.1 Contract Liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unprovided free services relating to vehicle sales.

The Group/Company applies the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component for contract liabilities if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service is one year or less.

Details of contract liabilities and amount recognised during the year as revenue are disclosed in Note 4.25.1.

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:

Reportable 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, cranes, compressors, car parking systems and gondolas.
Agriculture	Import, sale and after sales services of agri machinery, import, processing and distribution of agro chemicals, seeds and fertilizer, import, production, 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 transactions are carried in the ordinary course of business. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

Finance income and 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.

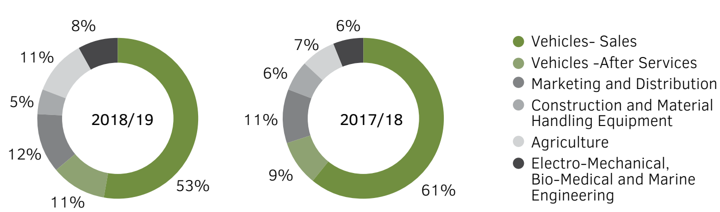
SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Segmental Results, Assets and Liabilities

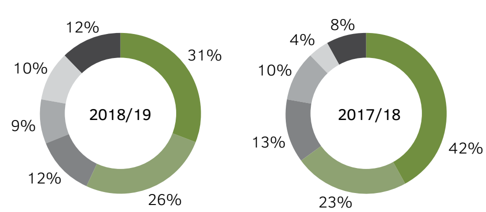
Group

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Agriculture		Electro-Mechanical, Bio-Medical and Marine Engineering		Total	
For the year ended 31st March	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018 (Restated)
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Business Segment Turnover and Results														
Total segment revenue	20,357,356	26,566,205	5,034,409	4,616,937	4,531,758	4,833,244	2,058,066	2,756,199	4,259,998	3,385,619	3,265,540	2,667,793	39,507,127	44,825,997
Inter-segment revenue	(39,607)	(68,897)	(789,863)	(734,351)	(125,667)	(116,816)	(74,381)	(85,071)	(107,340)	(69,464)	(69,919)	(65,240)	(1,206,777)	(1,139,839)
Total external revenue	20,317,749	26,497,308	4,244,546	3,882,586	4,406,091	4,716,428	1,983,685	2,671,128	4,152,658	3,316,155	3,195,621	2,602,553	38,300,350	43,686,158
Segment results	968,084	1,365,395	805,976	723,731	378,626	406,858	263,190	334,571	306,860	121,214	365,684	260,981	3,088,420	3,212,750
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	170,093	156,848
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,804,796)	(1,766,250)
Finance costs- net	-	-	-	-	-	-	-	-	-	-	-	-	(1,349,598)	(886,741)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(27,436)	(193,391)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	76,683	523,216
Business Segment Assets and Liabilities														
Segment assets	5,054,981	6,810,143	1,751,390	2,292,408	2,709,672	3,389,264	1,170,615	1,578,368	3,166,584	3,452,004	3,526,022	2,628,319	17,379,264	20,150,506
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	11,920,928	8,436,486
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	29,300,192	28,586,992
Segment liabilities	4,609,465	5,377,659	1,052,004	1,093,901	577,086	1,098,142	252,427	556,033	1,971,985	1,259,795	617,437	517,512	9,080,404	9,903,042
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	8,139,337	6,634,588
Equity	-	-	-	-	-	-	-	-	-	-	-	-	12,080,451	12,049,362
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	-	-	29,300,192	28,586,992
Other Information														
Capital expenditure	12,997	40,733	45,210	91,867	75,872	13,158	32,749	8,712	104,788	58,825	64,534	23,434	336,150	236,729
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	173,599	212,805
Depreciation and amortisation	40,189	39,250	109,246	106,326	13,502	11,472	10,911	5,882	46,055	4,262	13,854	14,112	233,757	181,304
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	186,421	189,068

Segment Revenue - Group



Segment Results - Group

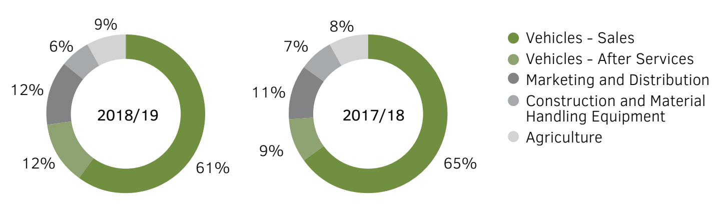


Segmental Results, Assets and Liabilities

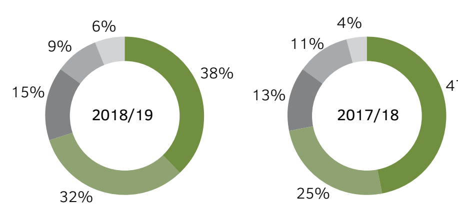
Company

For the year ended 31st March	Vehicles - Sales 2019 Rs.'000	Vehicles - Sales 2018 Rs.'000	Vehicles - After Services 2019 Rs.'000	Vehicles - After Services 2018 Rs.'000	Marketing and Distribution 2019 Rs.'000	Marketing and Distribution 2018 Rs.'000	Construction and Material Handling Equipment 2019 Rs.'000	Construction and Material Handling Equipment 2018 Rs.'000	Agriculture 2019 Rs.'000	Agriculture 2018 Rs.'000	Total 2019 Rs.'000	Total 2018 (Restated) Rs.'000
Business Segment Turnover and Results												
Total segment revenue	20,357,316	26,566,205	4,994,376	4,608,592	4,323,723	4,588,970	2,077,371	2,756,199	2,866,789	3,234,947	34,619,575	41,754,913
Inter-segment revenue	(39,477)	(68,897)	(787,563)	(730,292)	(108,126)	(100,422)	(74,381)	(74,995)	(71,199)	(69,465)	(1,080,746)	(1,044,071)
Total external revenue	20,317,839	26,497,308	4,206,813	3,878,300	4,215,597	4,488,548	2,002,990	2,681,204	2,795,590	3,165,482	33,538,829	40,710,842
Segment results	968,084	1,365,395	823,068	735,421	381,749	374,232	237,182	334,571	143,602	111,446	2,553,685	2,921,065
Unallocated other income	-	-	-	-	-	-	-	-	-	-	174,589	151,033
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(1,714,561)	(1,739,101)
Finance costs - net	-	-	-	-	-	-	-	-	-	-	(1,275,934)	(884,359)
Income tax expense	-	-	-	-	-	-	-	-	-	-	48,898	(123,733)
(Loss)/profit for the year	-	-	-	-	-	-	-	-	-	-	(213,323)	324,905
Business Segment Assets and Liabilities												
Segment assets	5,054,981	6,810,143	1,714,496	2,253,604	2,709,672	3,381,181	1,160,703	1,578,368	1,944,837	2,385,586	12,584,689	16,408,882
Unallocated assets	-	-	-	-	-	-	-	-	-	-	13,230,872	9,701,542
Total assets	-	-	-	-	-	-	-	-	-	-	25,815,561	26,110,424
Segment liabilities	4,609,465	5,377,659	1,052,004	1,093,564	576,433	1,089,478	250,899	556,033	1,237,943	959,294	7,726,744	9,076,028
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	7,719,878	6,411,231
Equity	-	-	-	-	-	-	-	-	-	-	10,368,939	10,623,165
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	25,815,561	26,110,424
Other Information												
Capital expenditure	12,997	40,733	42,139	74,112	75,872	13,158	32,749	8,712	74,326	58,825	238,083	195,540
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	160,678	213,641
Depreciation and amortisation	40,189	39,250	106,859	105,631	8,630	11,472	10,911	5,882	13,625	4,262	180,214	166,496
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	191,765	192,851

Segment Revenue - Company



Segment Results - Company



SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.3 OTHER OPERATING INCOME/(EXPENSES)

Accounting Policy

Other operating income and expenses are recognised on an accrual basis. Other operating Income and expenses comprises disposal gains/ losses on sale of property, plant and equipment, gain on bargain purchase through business combination, dividend income and sundry income.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted in the income statement, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Dividend income

Dividend income is recognised when the Group's/Company's right to receive payment is established.

Other Operating Income

	Group		Company	
For the year ended 31st March	2019	2018 (Restated)	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gain on bargain purchase through Business Combination (Note 4.12.3)	-	7,624	-	-
Dividend income	167	480	167	480
Gains on sale of property, plant and equipment	18,079	18,480	12,650	16,791
Sundry income	151,847	130,264	161,772	133,762
	170,093	156,848	174,589	151,033

4.4 FINANCE INCOME AND COSTS

Accounting Policy

Finance income comprises of interest income and is recognised as it accrues, using the effective interest method.

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement. Interest expense is recognised as it accrues using the effective interest rate (EIR).

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

Net Finance Costs

	Group		Company	
For the year ended 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income	107,719	19,222	104,866	14,308
Net foreign exchange gain	68,547	152,146	75,055	139,956
Finance income	176,266	171,368	179,921	154,264
Interest on long-term borrowings	(76,995)	(65,765)	(76,995)	(65,765)
Interest on short-term borrowings	(1,440,423)	(992,178)	(1,376,983)	(972,858)
Finance charges payable under finance leases	(1,499)	(166)	-	-
Unwinding of significant financing component	(6,947)	-	(1,877)	-
Finance costs	(1,525,864)	(1,058,109)	(1,455,855)	(1,038,623)
Net finance costs recognised in profit or loss	(1,349,598)	(886,741)	(1,275,934)	(884,359)

4.5 PROFIT BEFORE TAX

Profit before tax is stated after charging/(reversing) the following:

For the year ended 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Directors' emoluments				
- Short-term employment benefits	407,402	424,631	364,645	412,871
- Post-employment benefits	65,279	46,179	58,319	44,720
- Terminal benefits	-	24,638	-	24,638
Auditors' remuneration				
- Audit and audit-related services	5,347	5,393	3,845	4,254
- Non-audit services	1,196	2,235	767	1,756
Depreciation on property, plant and equipment	410,601	355,897	362,402	344,879
Amortisation of intangible assets and lease rentals paid in advance	9,577	14,475	9,577	14,468
Provision/(Reversal of) for impairment of trade receivables	177,810	(81,013)	185,283	(87,542)
Provision/(Reversal of provision) for slow moving inventories	14,122	(56,078)	9,039	(66,985)
Donations	2,867	7,559	2,790	7,332
Legal fees	18,565	17,640	16,345	16,903
Staff expenses (Note 4.5.1)	2,493,046	2,426,255	2,010,568	2,066,964

4.5.1 Staff Expenses

Accounting Policy

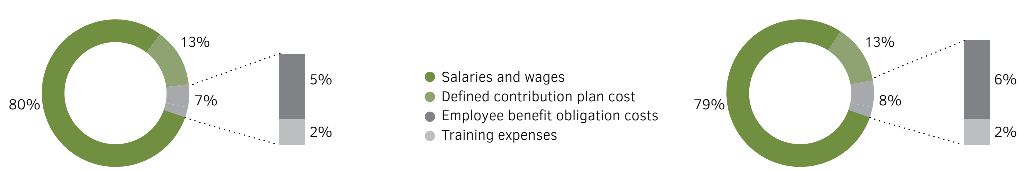
Salaries and wages, contribution to EPF and ETF, training expenses and cost of defined benefit plans are recognised as an expense in the year in which the related services are provided.

For the year ended 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Defined contribution plan cost	313,840	290,282	261,816	252,425
Employee benefit obligation costs (Note 4.23.1)	124,336	121,549	112,185	110,530
Training expenses	57,367	69,893	45,829	59,710
Salaries and wages	1,997,503	1,944,531	1,590,738	1,644,299
	2,493,046	2,426,255	2,010,568	2,066,964
Average number of employees for the year	1,906	1,788	1,557	1,547

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

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 assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted on the reporting date.

Accounting Estimate

The Group/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

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.

The applicable income tax rates to the Company and subsidiaries are as follows:

Name of the Entity	Country of Domicile	Rate
Diesel & Motor Engineering PLC, DIMO (Private) Limited, DIMO Industries (Private) Limited, DIMO Travels (Private) Limited, PlantChem (Private) Limited and PlantSeeds (Private) Limited *	Sri Lanka	28%
DIMO Lanka Company Limited, United DIMO Company Limited	Republic of the Union of Myanmar	25%

* Taxable income of 2017/18 of PlantSeeds (Private) Limited was taxed at 12% whilst there is no change in the income tax rate of the company and other subsidiaries.

Income Tax Expense

For the year ended 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Current Tax Expense				
Current tax on profit for the year (Note 4.6.1)	108,347	165,462	-	88,472
Under provision in respect of previous years	4,104	1,299	3,128	1,105
	112,451	166,761	3,128	89,577
Deferred Tax Expense				
(Reversal)/Origination of temporary differences (Note 4.6.2)	(85,015)	26,630	(52,026)	34,156
Total income tax expense/(Reversal)	27,436	193,391	(48,898)	123,733
Effective tax rate (%)-including deferred tax	26%	27%	19%	28%
Effective tax rate (%)-excluding deferred tax	108%	23%	1%	20%

4.6.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group 2019 Rs.'000	Group 2018 (Restated) Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Profit/(Loss) before taxation	104,119	716,607	(262,221)	448,638
Disallowable expenses	1,466,726	944,170	1,235,130	857,865
Allowable expenses	(1,264,593)	(1,046,339)	(1,067,843)	(985,040)
Income not liable for tax	-	(7,520)	-	(5,453)
Set off against losses	(38,793)	-	-	-
Taxable income/(Loss)	267,459	606,918	(94,934)	316,010
Income tax				
Tax at 28%	108,347	164,230	-	88,465
Tax at 25%	-	-	-	-
Tax at 12%	-	1,232	-	7
Current tax on profit for the year	108,347	165,462	-	88,472

Current tax has been computed in accordance with the provisions of Inland Revenue Act No 24 of 2017.

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 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Statement of Profit or Loss (Note 4.24.2)	(85,015)	26,630	(52,026)	34,156
Other Comprehensive Income (Note 4.24.2)*	3,491	1,582,580	45	1,579,557
	(81,524)	1,609,210	(51,981)	1,613,713

* As per the Inland Revenue Act No.24 of 2017, which became effective from 01st April 2018, business assets will attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, Rs. 1.6 billion deferred tax liability has been recognised in the Financial Statements at 28% on the revaluation surplus (Rs. 5.6 billion as at 31st March 2018) relating to freehold land.

4.7 EARNINGS/(LOSS) 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 2019	Group 2018 (Restated)	Company 2019	Company 2018
Profit/(Loss) attributable to ordinary shareholders (Rs.'000)	51,307	519,309	(213,323)	324,905
Weighted average number of ordinary shares	8,876,437	8,876,437	8,876,437	8,876,437
Earnings/(Loss) per ordinary share-basic and diluted (Rs.)	5.78	58.50	(24.03)	36.60

4.8 DIVIDENDS

	Company	
For the year ended 31st March	2019	2018
	Rs.'000	Rs.'000
Interim dividend paid	-	177,529
	-	177,529
Dividend per share (Rs.)	-	20

A first and final dividend of Rs. 2.50 per share was declared by the Board of Directors on 25th May 2019 for the Financial Year 2018/19 (Rs. 20.00 per share interim dividend was paid in 2017/18, subject to a withholding tax of 10%).

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 first and final dividend for the Financial Year 2018/19. A statement of solvency duly signed by the Directors and audited by Messrs KPMG, Chartered Accountants will be obtained prior to payment of the dividend.

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 its 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 costs). The cost of self-constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

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

Cost model

All property, plant and equipment except freehold land, are recorded at cost, less accumulated depreciation and accumulated impairment losses, if any.

When an asset's carrying value is higher than it's recoverable amount, the carrying value is written down to its recoverable amount (Please refer Note 3.10.3 - 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 qualifying asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in Profit or Loss in the period in which they are incurred.

Capital work-in-progress

Capital work-in-progress is stated in the Statement of Financial Position at cost, including borrowing costs, less any accumulated impairment losses. Capital work-in-progress would be transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in Profit or Loss. Freehold land is not depreciated.

Depreciation of an asset begins from the date it is available for use or in respect of self constructed assets from the date that the asset is completed and ready for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

The estimated useful lives of PPE are as follows:

Class of Asset	Year
Buildings	36 - 40
Buildings on leasehold land	Over the remanning 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.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Property, Plant and Equipment

Group

For the year ended 31st March	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 2019	Total 2018
	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	7,277,593	2,796,855	332,196	866,306	326,788	791,789	255,472	634,438	13,281,437	9,909,765
Acquired through business combination (Note 4.12.13)	-	-	-	-	-	-	-	-	-	254,666
Revaluation	-	-	-	-	-	-	-	-	-	2,780,984
Additions	18,257	3,846	1,493	94,456	17,490	89,691	42,679	58,717	326,629	204,016
Transferred from capital work-in-progress	-	35,066	68,295	3,419	739	-	117	7,564	115,200	202,429
Disposals	(3,125)	(1,695)	(2,378)	(11,531)	(26,349)	(27,919)	(6,734)	(8,005)	(87,736)	(70,423)
Transfers	-	-	-	(34)	34	-	39	(39)	-	-
Effect of movements in exchange rates	-	-	(105)	(79)	(14)	(13)	(13)	(31)	(255)	-
At the end of the year	7,292,725	2,834,072	399,501	952,537	318,688	853,548	291,560	692,644	13,635,275	13,281,437
Depreciation										
At the beginning of the year	-	371,586	140,111	344,779	260,400	443,098	204,872	285,750	2,050,596	1,753,927
Charge for the year	-	71,813	27,388	64,593	27,422	138,690	25,958	54,737	410,601	355,897
On disposals	-	(121)	(456)	(8,519)	(17,628)	(23,298)	(4,879)	(5,528)	(60,429)	(59,239)
Transfers	-	-		(1)	1	-	30	(30)	-	-
Effect of movements in exchange rates	-	-	(10)	(5)	(3)	(1)	(3)	(2)	(24)	11
At the end of the year	-	443,278	167,033	400,847	270,192	558,489	225,978	334,927	2,400,744	2,050,596
Carrying amount before capital work-in-progress	7,292,725	2,390,794	232,468	551,690	48,496	295,059	65,582	357,717	11,234,531	11,230,841
Capital work-in-progress at cost										
At the beginning of the year	3,628	161,600	48,642	9,372	-	-	-	(1,553)	221,689	143,197
Acquired through business combination (Note 4.12.3)	-	-	-	-	-	-	-	-	-	42,033
Additions	2,572	38,993	50,900	81,438	739	-	274	8,890	183,806	240,073
Transferred to PPE	-	(35,066)	(68,295)	(3,419)	(739)	-	(117)	(7,564)	(115,200)	(202,429)
Transferred to Intangible Assets	-	-	-	-	-	-	-	-	-	(540)
Derecognition	(178)	-	-	-	-	-	-	-	(178)	(645)
Transfers	(3,451)	(42,968)	40,640	80	-	-	59	5,640	-	-
Effect of movements in exchange rates	-	-	(130)	-	-	-	-	-	(130)	-
At the end of the year	2,571	122,559	71,757	87,471	-	-	216	5,413	289,987	221,689
Carrying amount as at 31st March 2019	7,295,296	2,513,353	304,225	639,161	48,496	295,059	65,798	363,130	11,524,518	
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

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2018/19 (2017/18 – Nil).

Carrying Value of Property, Plant and Equipment

Company

For the year ended 31st March	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 2019	Total 2018
	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	7,244,958	2,786,446	276,778	811,448	288,163	656,074	226,337	631,191	12,921,395	9,840,907
Revaluation	-	-	-	-	-	-	-	-	-	2,780,984
Additions	11,470	3,692	1,227	79,535	16,550	81,075	32,705	21,124	247,378	162,761
Transferred from capital work-in-progress	-	35,066	52,652	3,412	739	-	59	5,627	97,555	202,429
Disposals	-	(1,155)	(2,378)	(6,056)	(2,907)	(16,999)	(2,049)	(5,651)	(37,195)	(65,686)
Transfers	-	-	-	-	-	-	39	(39)	-	-
At the end of the year	7,256,428	2,824,049	328,279	888,339	302,545	720,150	257,091	652,252	13,229,133	12,921,395
Depreciation										
At the beginning of the year	-	374,620	139,780	323,879	234,821	436,195	184,579	279,215	1,973,089	1,685,617
Charge for the year	-	71,420	23,140	57,820	25,415	111,236	20,920	52,451	362,402	344,879
On disposals	-	(6)	(456)	(5,082)	(2,854)	(16,983)	(1,520)	(4,029)	(30,930)	(57,407)
Transfers	-	-	-	-	-		30	(30)	-	-
At the end of the year	-	446,034	162,464	376,617	257,382	530,448	204,009	327,607	2,304,561	1,973,089
Carrying amount before capital work-in-progress	7,256,428	2,378,015	165,815	511,722	45,163	189,702	53,082	324,645	10,924,572	10,948,306
Capital work-in-progress at cost										
At the beginning of the year	3,628	118,916	48,642	9,372	-	-	-	-	180,558	143,197
Additions	2,572	38,993	10,040	82,954	739	-	274	8,067	143,639	240,975
Transferred to PPE	-	(35,066)	(52,652)	(3,412)	(739)	-	(59)	(5,627)	(97,555)	(202,429)
Transferred to Intangible Assets	-	-	-	-	-	-	-	-	-	(540)
Derecognition	(178)	-	-	-	-	-	-	-	(178)	(645)
Transfers	(3,451)	(332)	-	80	-	-	-	3,703	-	-
At the end of the year	2,571	122,511	6,030	88,994	-	-	215	6,143	226,464	180,558
Carrying amount as at 31st March 2019	7,258,999	2,500,526	171,845	600,716	45,163	189,702	53,297	330,788	11,151,036	
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

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2018/19 (2017/18 – Nil).

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

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 licensed independent valuer. The valuation method adopted was the Market Comparable Method. The value of freehold land has been written up to correspond with the market value and the details are as follows:

Location	Estimates for Unobservable Inputs 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
01. No. 65, Jetawana Road, Colombo 14	8,000,000 p.p	2A-0R-33.29P	414	2,575,810	6,222	88,302	No	No
No. 56, K. Cyril C. Perera Mawatha, Colombo 14	7,000,000 p.p							
Sanctioned Street Line	3,500,000 p.p							
02. No. 61, Jetawana Road, Colombo 14	8,500,000 p.p	0A-1R-04.00P	18,014	374,000	21	11,418	No	No
03. No. 74, Jetawana Road, Colombo 14	8,000,000 p.p	0A-1R-14.56P	113,808	436,480	4	4,043	No	No
04. No. 800, Sirimawo Bandaranaike Mawatha, Colombo 14	2,500,000 p.p	3A-3R-20.60P	641,519	1,551,500	2	229,025	No	No
05. 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	No	No
06. Kirindiwela Road, Weliweriya	146,250 p.p	15A-3R-30.00P	89,958	372,938	4	219,880	No	No
07. No. 360, Madampitiya Road, Mahawatta, Colombo 14***	2,500,000 p.p	1A-2R-26.80P	301,599	667,000	2	-	No	No
08. No. 09, Kandy Road, Aathikadu Valavu,Ariyalai,Jaffna	150,000 p.p	1A-2R-26.72P	32,487	39,375	1	38,675	No	No
09. Yaggapitiya Watta, Dambulla Road, Kurunegala	300,000 p.p	5A-0R-00.00P	54,599	240,000	4	-	No	No
10. No. 23, Kaldemulla Road, Ratmalana	765,000 p.p	0A-3R-27.04P	92,102	112,486	1	17,323	No	No
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	No	No
12. Hunuketalanda, Nayakubura, Walgamwewa	18,000 p.p	29A-0R-27.85P	68,107	84,000	1	-	No	No
13. Nikaweratiya Road, Kahatakulama	12,500 p.p	13A-3R-28.80P	7,575	27,860	4	14,376	No	No
14. Puttalam Road, Nabadewa, Nikaweratiya **	125,000 p.p	0A-0R-25.00P	3,727	3,125	1	-		
	Commercial portion (10p) at 90,000 p.p and balance (30p) at 25,000	0A-1R-00.00P		1,650			No	No
15. Katuwelandahena, Panliyadda, Ibbagamuwa, Kurunegala***	-	0A-1R-38.7P	11,470	11,470	-	-	No	No
16. Kentune Galeyaya, Kachchigala, Embilipitiya, Ratnapura***	-	5A-0R-2P	4,445	4,445	-	-	No	No
17. Kentune Galeyaya, Kachchigala, Embilipitiya, Ratnapura***	-	01A-3R-36.30P	2,343	2,343	-	-	No	No
Total			1,656,311	7,292,655		748,891		
Improvements to land during 2017/18 after the revaluation				3,195		-		
Movement of capital work-in-progress after the revaluation				2,571		-		
Disposals during the year				(3,125)		-		
Total carrying value				7,295,296		748,891		

p.p-per perch

* Land original extent is 8A-3R-19.90, but valuation has been given only for 8A-3R-08.50P

** During the year PlantChem (Private) Limited disposed 0A-0R-25.00P land located at Nikaweratiya

*** Represents freehold land without building as at reporting date.

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. 1,067.46 million (2017/18 - Rs. 904.5 million) and Rs. 1,021.84 (2017/18 - Rs. 850.07 million) respectively.

4.9.3 Property, Plant and Equipment Pledged as Security against Long-Term Bank Loan

Land and buildings of PlantChem (Private) Limited with a carrying value of Rs.24.45 million (2017/18 - Rs. 14.89 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 leases

Group property, plant and equipment under finance leases amount to Rs. 81.19 million as at the reporting date (2017/18 - Rs. 86.6 million acquired through business combination).

4.10 LEASE RENTALS PAID IN ADVANCE

Accounting Policy

Lease rentals paid in advance represents operating leases 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	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 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	17,617	15,412	17,617	15,412
Amortisation for the year	2,205	2,205	2,205	2,205
At the end of the year	19,822	17,617	19,822	17,617
Carrying amount at the end of the year	20,116	22,321	20,116	22,321
These lease rentals are presented in Financial position as follows;				
Classified as current assets	2,205	2,205	2,205	2,205
Classified as non-current assets	17,911	20,116	17,911	20,116
	20,116	22,321	20,116	22,321

4.10.1 Details of Operating Lease Rentals Paid in Advance

Location	Amount of Lease Rs.'000	Duration of the Operating 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	

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 recognised at their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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 and intangible assets with indefinite useful lives are not amortised. These assets are assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

The period over which intangible assets are amortised is as follows;

Class of Asset	Amortisation period (years)
Computer software	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.

Goodwill arisen through business combination

The Group recognised an intangible asset by way of goodwill in respect of the registered and established product portfolio, customer lists, technical expertise and distribution network acquired from acquisition of the 51% stake in PlantSeeds (Private) Limited. The management is of the opinion that the brand name of PlantSeeds (Private) Limited 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 PlantSeeds (Private) Limited amounting to Rs 117.6 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, management assumed that no impairment is required as there is no significant change in the fair value of such acquired assets and liabilities, subsequent to the acquisition.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, is recognised in Profit or Loss in the year the asset is derecognised.

Carrying Value of Intangible Assets

Group As at 31st March	Software Rs.'000	Goodwill Rs.'000	Total 2019 Rs.'000	 2018 (Restated) Rs.'000
Cost				
At the beginning of the year	90,258	117,623	207,881	84,813
Acquired through business combinations (Note 4.12.3)	-	-	-	117,623
Additions during the year	7,738	-	7,738	4,905
Transferred from Capital Work In progress - PPE	-	-	-	540
At the end of the year	97,996	117,623	215,619	207,881
Accumulated Amortisation				
At the beginning of the year	73,032	-	73,032	60,762
Amortisation for the year	7,372	-	7,372	12,270
At the end of the year	80,404	-	80,404	73,032
Carrying amount at the end of the year	17,592	117,623	135,215	134,849

Company As at 31st March	Software Rs.'000	Total 2019 Rs.'000	 2018 Rs.'000
Cost			
At the beginning of the year	87,261	87,261	81,816
Additions during the year	7,738	7,738	4,905
Transferred from Capital Work In progress - PPE	-	-	540
At the end of the year	94,999	94,999	87,261
Accumulated Amortisation			
At the beginning of the year	70,035	70,035	57,772
Amortisation for the year	7,372	7,372	12,263
At the end of the year	77,407	77,407	70,035
Carrying amount as at end of the year	17,592	17,592	17,226

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.

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.

During the year, Diesel and Motor Engineering PLC invested Rs. 40 million in Dimo Lanka Company Limited and Dimo Lanka Company Limited invested Rs. 22 million in United Dimo Company Limited. Except for the above, there were no other investments made by the Company during the year.

Accounting Estimate - Provision for Impairment

An impairment assessment was carried out as at 31st March 2019 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) Ltd. 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. 38.1million in DIMO Lanka Company Limited., a subsidiary of the company, which acts as the investing arm of Diesel and Motor Engineering PLC in Myanmar. The Group has invested in the company as part of expansion programme in automobile repair and servicing business, overseas. During the year 2018/19, Diesel & Motor Engineering PLC has further invested Rs. 40 million (25,000 shares) in DIMO Lanka Company Limited.

Investment in United DIMO Company Limited

On 27th November 2017, DIMO Lanka Company Limited, which is a fully-owned subsidiary of the company invested Rs. 21.2 million in United DIMO Company Limited, for acquisition of 70% shares of the latter involved in automobile repair and servicing. The investment by DIMO Lanka Company Limited in United DIMO Company Limited was to support the latter's as expansion programme in automobile repair and servicing business. During the year 2018/19, DIMO Lanka Company Limited further invested Rs. 22 million (14,000 shares) in United DIMO Company Limited for the same purpose. There was no change in the percentage of share holding in subsidiaries by the minority share holders.

Carrying Value of Investments in Subsidiaries made by the Company

As at 31st March		Category	Percentage of Holding (%)	Total 2019 Rs.'000	2018 (Restated) Rs.'000
Unquoted Investment - Ordinary Shares					
DIMO (Private) Limited	- 25,000 ordinary shares	Investment	100	250	250
DIMO Industries (Private) Limited	- 2,305,000 ordinary shares	Investment	100	23,050	23,050
DIMO Travels (Private) Limited	- 500 ordinary shares	Investment	100	50	50
DIMO Lanka Company Limited	- 50,000 ordinary shares	Investment	100	78,417	38,199
PlantChem (Pvt) Limited	- 14,195,767 ordinary shares	Acquisition	51	166,827	119,059
	- Contingent payable (Restated)			-	47,768
Plant Seeds (Pvt) Limited	- 6,577,185 ordinary shares	Acquisition	51	246,032	226,444
	- Contingent payable (Restated)			-	19,587
				514,626	474,407
Impairment provision (Note 4.12.2)				(50)	(187)
				514,576	474,220

Carrying Value of Investments made by the subsidiaries

Investments by Dimo Lanka Company Limited

As at 31st March		Category	Percentage of Holding (%)	Total 2019 Rs.'000	2018 Rs.'000
Unquoted Investment - Ordinary Shares					
United DIMO Company Limited	- 28,000 ordinary shares	Investment	70	43,436	21,284
				43,436	21,284

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	Total 2019 Rs.'000	2018 Rs.'000
At the beginning of the year	187	61
(Reversal of)/Provision for impairment	(137)	126
At the end of the year	50	187

Impairment in investment in subsidiary is pertaining to DIMO Travels (Private) Limited.

4.12.3 Goodwill or bargaining purchase arising from acquisition of subsidiaries in 2017/18

On 23rd February 2018, the Group acquired 51% equity interest in PlantChem (Private) Limited and PlantSeeds (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 (Restated) Rs.'000	PlantSeeds (Private) Limited (Restated) 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	-	117,622
Bargain purchase arising on acquisition	7,624	-
Purchased consideration transferred	119,059	226,444
Consideration payable (Note 4.12.3.1)	47,768	19,587
Net cash outflow on acquisition	391,534	310,864

Contingent consideration

As part of the purchase agreement with the selling shareholders of PlantChem (Private) Limited and PlantSeeds (Private) Limited, a contingent consideration has been agreed. There will be additional cash payments to the selling shareholders, PlantChem (Private) Limited and PlantSeeds (Private) Limited, as purchaser agreed and undertook that in the event the below amounts or any part thereof is realised prior to 31st March 2019, 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

4.12.3.1 Re-assessment of Contingent consideration

The assessment of fair value of contingent consideration carried out during the measurement period placed its' value at Rs. 47.76 million (2017/18 Rs. 16.76 million) and Rs. 19.58 million (2017/18 Rs. 4.9 million) for PlantChem (Private) Limited and PlantSeeds (Private) Limited respectively. A summary of the re-stated figures are presented in the table below;

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As at 31st March	PlantChem (Private) Limited Rs.'000	PlantSeeds (Private) Limited Rs.'000
Contingent consideration before re-assessment	16,768	4,958
Adjustments	30,999	14,629
Contingent consideration after re-assessment	47,767	19,587

Fair value of the contingent consideration was arrived based on the recoveries made subsequently from the debtors that was outstanding for more than 180 days as at 31st October 2017 and subsequent realization of stocks which were resident for more than 365 days as at 31st October 2017.

4.12.4 Subsidiaries with material non-controlling interests

Accounting Policy

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Statement of Profit or Loss and Other Comprehensive and as a component of equity in the Statement of Financial Position, separately from equity attributable to owners of the Company.

A share issue during the year ended 31st March 2019 increased the value of non-controlling interest in United DIMO Company Limited. However there was no change in the percentage of share holding in subsidiaries by the minority share holders.

The following table summarises the information relating to United DIMO Company Limited, PlantChem (Private) Limited and PlantSeeds (Private) Limited that has material non-controlling interest, before any intra-group eliminations including fair value adjustments at the acquisition date.

	United DIMO Company Limited		PlantChem (Private) Ltd		PlantSeeds (Private) Ltd	
As at 31st March	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Non-controlling interest percentage	30%	30%	49%	49%	49%	49%
Summarised statement of financial position						
Current assets	50,238	22,320	636,408	530,239	601,335	370,360
Non-current assets	48,049	19,530	97,917	339,496	80,718	110,445
Total assets	98,287	41,850	734,325	869,735	682,053	480,805
Current liabilities	61,506	19,510	466,272	510,270	383,421	215,082
Non-current liabilities	-	-	11,691	9,692	10,809	8,352
Total liabilities	61,506	19,510	477,963	519,962	394,230	223,434
Net assets	36,781	22,340	256,362	349,773	287,823	257,371
Net assets attributable to non-controlling interest	11,034	6,702	125,617	171,389	141,033	126,112
Summarised statement of comprehensive income						
Revenue	40,033	8,346	772,002	88,654	621,207	62,018
Profit after tax	(18,987)	(8,699)	33,899	7,712	53,069	5,588
Other comprehensive income	1,783	633	-	-	-	-
Total comprehensive income	(17,204)	(8,066)	33,899	7,712	53,069	5,588
Profit attributable to non-controlling interest	(5,696)	(2,610)	16,611	3,779	26,004	2,738
Other comprehensive income attributable to non-controlling interest	534	190	-	-	-	-
Total comprehensive income attributable to non-controlling interest	(5,161)	(2,420)	16,611	3,779	26,004	2,738
Summarised statement of cash flow						
Cash flows from (used in) operating activities	2,092	(31,200)	(10,597)	16,716	(131,729)	3,106
Cash flows from (used in) investing activities	(25,245)	(17,755)	107,001	(4,088)	(2,457)	27
Cash flows from (used in) financing activities	33,593	49,853	(50,418)	(1,201)	147,635	(395)
Net increase in cash and cash equivalents	10,440	898	45,986	11,427	13,449	2,738

4.12.5 Equity accounted investee

Accounting Policy

The Equity accounted investee shown in the financial statements is 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 22nd 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 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

	DIMO Coastline (Private) Ltd	
As at 31st March	2019	2018
	Rs.'000	Rs.'000
Percentage ownership interest	40%	40%
Non-current assets	146,209	96,882
Current assets	79,944	67,905
Total assets	226,153	164,787
Current liabilities	125,117	27,042
Total liabilities	125,117	27,042
Net assets (100%)	101,036	137,745
Group's share of net assets (40%)	40,414	55,098
Carrying amount of interest in equity accounted investee	40,414	55,098

Income Statement

	DIMO Coastline (Private) Ltd	
As at 31st March	2019	2018
	Rs.'000	Rs.'000
Revenue	112,182	6,342
Depreciation	(16,618)	(155)
Interest expense	(1,331)	(78)
Loss after tax	(76,656)	(7,451)
Total comprehensive income (100%)	(76,656)	(7,451)
Group's Share of results of equity accounted investee, net of tax (40%)	(30,663)	(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;

As at 31st March	2019	2018
	Rs.'000	Rs.'000
At the beginning of the year	55,098	-
Acquisition of equity accounted investee	-	58,163
Less		
Group's Share of loss recognised in statement of profit or loss and other comprehensive income	(30,663)	(2,980)
Effect of movements in exchange rates`	5,040	(85)
Increase in net assets of DIMO Coastline (Pvt) Ltd	10,939	-
Carrying amount of interest in equity accounted investee	40,414	55,098

4.13 FAIR VALUE OF ASSETS AND LIABILITIES

Accounting Policies

Financial assets

Recognition and initial measurement

The Group classifies financial assets as fair value through other comprehensive income (FVOCI) and amortised cost based on the financial asset's contractual cash flow characteristics and the Group/ Company business model for managing them. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is required and permitted.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

Classification and measurement

Policy Applicable after 01st April 2018

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because it reflects the way the business is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Equity Securities measured at FVOCI

Company's investment in equity securities are classified as fair value through other comprehensive income (FVOCI).

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Group's/Company's financial assets classified and measured at amortised cost are limited to its trade and other receivables, deposits, amounts due from subsidiaries, amount due from Equity accounted investee and cash & cash equivalents.

Policy Applicable before 01st April 2018

Financial assets - available-for-sale (AFS)

Available-for-sale financial assets were those non-derivative financial assets that are designated as available-for-sale financial assets or which were 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 were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Loans and receivables mainly consist of trade and other receivables, deposits and cash and cash equivalents.

Subsequent measurement and gains and losses

Subsequent measurement of Group's/Company's financial assets are as follows;

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in Profit or Loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held - for - trading at the initial recognition. Financial liabilities at FVTPL are measured at fair value and any resulting gains and losses, including any interest expense, are recognised in profit or loss.

The Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

Subsequent measurement

Other financial liabilities are subsequently measured at amortised cost. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method minus any reduction for impairment.

Details of financial liabilities recognised in the Statement of Financial Position are given in Notes 4.22 and 4.27 on pages 152 and 160.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.13.1 Financial Assets and Liabilities by Category

Financial Assets

	Group		Company	
As at 31st March	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
i. Financial assets not measured at fair value (At amortised cost)				
- Trade and other receivables	6,974,219	-	4,832,912	-
- Deposits	566,106	-	523,791	-
- Cash and cash equivalents	223,026	-	119,102	-
- Amounts due from subsidiaries	-	-	135,646	-
- Amount due from Equity accounted investee	18,204	-	18,204	-
Loans and receivables (L&R)				
- Trade and other receivables	-	5,997,911	-	4,466,471
- Deposits	-	176,269	-	147,202
- Cash and cash equivalents	-	265,532	-	191,538
- Amounts due from subsidiaries	-	-	-	100,842
- Amount due from Equity accounted investee	-	9,860	-	9,860
ii. Equity instruments - FVOCI (At fair value)				
- Financial assets at FVOCI	6,897	-	6,816	-
Available-for-sale (AFS)				
- Financial assets-available-for-sale	-	8,296	-	8,267
Total financial assets	7,788,452	6,457,868	5,636,471	4,924,180

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Financial Liabilities

As at 31st March	Group 2019 Rs.'000	Group 2018 (Restated) Rs.'000	Company 2019 Rs.'000	Company 2018 (Restated) Rs.'000
i. Financial liabilities at fair value through profit or loss	-	-	-	-
ii. Other financial liabilities				
- Current portion of long-term borrowings	354,044	282,350	351,363	281,236
- Long-term borrowings	490,180	312,505	490,180	310,140
- Short-term borrowings	9,289,940	8,594,068	8,715,598	8,161,883
- Trade payables	1,905,473	2,974,203	1,482,480	2,495,928
- Consideration payable	67,355	67,355	67,355	67,355
- Amounts due to related parties	-	-	190,451	498,941
Total financial liabilities	12,106,992	12,230,481	11,297,427	11,815,483

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 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Financial assets					
FVOCI - Equity instruments	Level 1	6,897	-	6,816	-
Classified as available-for-sale	Level 1	-	8,296	-	8,267
	Level 2	-	-	-	-
	Level 3	-	-	-	-
Non-financial assets					
Freehold land	Level 1	-	-	-	-
	Level 2	-	-	-	-
	Level 3	7,292,725	7,277,593	7,256,428	7,244,958

4.13.2 Financial Risk Management

The Group has exposure mainly to the following risks from financial instruments:

a. Market risk

b. Credit risk

c. Liquidity risk

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management 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 of management of risk is available from pages 61 to 66.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) 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 to the extent possible. 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.

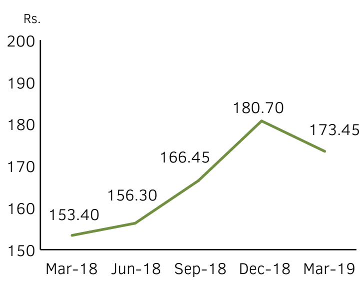
The following table demonstrates Group exposure to currency risk as at the reporting date.

Sensitivity Analysis - Based on exchange rate fluctuation

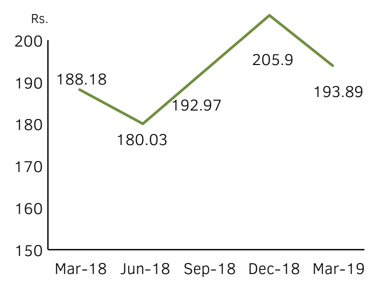
As at 31st March		Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
US Dollar (USD)					
Appreciation/(depreciation) during the financial year	- Rs.	20.05	3.69	20.05	3.69
	- %	13%	2%	13%	2%
1 % change impact to profitability by	- Rs.'000	3,563	1,814	3,084	2,054
Euro (EUR)					
Appreciation/(depreciation) during the financial year	- Rs.	5.71	28.93	5.71	28.93
	- %	3%	18%	3%	18%
1 % change impact to profitability by	- Rs.'000	1,459	1,232	1,107	558

The Group's exposure to foreign currency changes for all other currencies is not material.

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 variable 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 2019 would decrease/increase by Rs.5.5 million (2017/18 Rs. 4.6 million). A fluctuation in interest rates is possible due to 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 Equity instruments at FVOCI.

The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from Group's trade receivables.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

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.

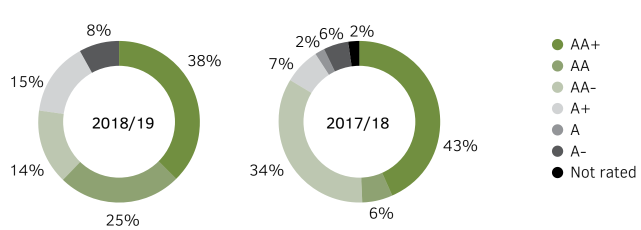
	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	6,974,219	5,997,911	4,832,912	4,466,471
Deposits	498,816	105,773	462,452	82,599
Amounts due from subsidiaries	-	-	135,646	100,842
Cash and cash equivalents	186,274	232,860	91,266	164,248
Total credit risk exposure	7,659,309	6,336,544	5,522,276	4,814,160

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

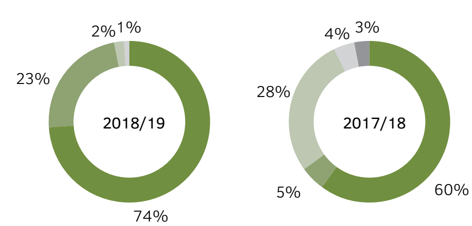
Balances with banks

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fitch Rating				
AA+	70,714	99,757	67,793	98,619
AA	45,790	14,843	20,608	8,082
AA-	27,054	80,247	2,166	46,395
A+	27,130	16,448	474	5,970
A	-	5,190	-	5,182
A-	15,271	12,714	-	-
Not Rated	315	3,661	225	-
Total bank balances (Note 4.18)	186,274	232,860	91,266	164,248

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 4.27.2 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 and the Company as follows:

	Group		Company	
As at 31st March	2019	2018 (Restated)	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long-term borrowings (Note 4.22.1.1)	844,224	594,855	841,543	591,376
Equity	11,740,844	11,745,159	10,368,939	10,623,165
Total equity and long-term borrowings	12,585,068	12,340,014	11,210,482	11,214,541
Gearing ratio (%)	7%	5%	8%	6%

4.14 EQUITY SECURITIES

Accounting Policy

Policy Applicable from 01st April 2018

After initial measurement, Equity Securities are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains or losses are recognized in OCI and are never 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 equity Securities are recognised in Profit or Loss as 'Other Operating Income' when the right to receive the payment has been established.

Policy Applicable before 01st April 2018

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.

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 statement of profit or loss and other comprehensive income increase in fair value after impairment are recognised directly in other comprehensive income.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Equity instruments

As at 31st March	Group No. of Shares	Group Market Value per Share 2019 Rs.	Group Total Cost Rs.'000	Group Fair Value 2019 Rs.'000	Group Fair Value 2018 Rs.'000	Company No. of Shares	Company Market Value per Share 2019 Rs.	Company Total Cost Rs.'000	Company Fair Value 2019 Rs.'000	Company Fair Value 2018 Rs.'000
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	180	14	162	58	450	180	7	81	29
Hatton National Bank PLC (non-voting)	35,406	147	700	5,204	6,538	35,406	147	700	5,204	6,538
Ceylinco Insurance PLC (non-voting)	1,700	900	298	1,531	1,700	1,700	900	298	1,531	1,700
			1,012	6,897	8,296			1,005	6,816	8,267

4.15 INVENTORIES

Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated cost of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- Raw materials - At actual cost on a weighted average basis
- Finished goods - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs.
- work-in-progress - Remaining incomplete work-in-progress are stated at cost.
- Stock-in-trade - Inventories that are not interchangeable are valued by identifying their specific individual costs, and inventories that are interchangeable are valued using weighted average cost.
- Other inventories – At actual cost
- Goods-in-transit are recognised at actual cost as at reporting date.

Carrying Value of Inventories

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Raw material	308,162	492,387	70,211	359,165
Stock-in-trade and finished goods	6,818,738	7,266,600	6,570,499	7,010,061
Work-in-progress (at cost)	734,564	329,526	145,713	91,367
Provision for slow moving inventories (Note 4.15.1)	(363,865)	(349,743)	(327,859)	(318,820)
	7,497,599	7,738,770	6,458,564	7,141,773
Goods-in-transit	862,851	1,822,268	816,947	1,774,032
Total inventories at the lower of cost and net realisable value	8,360,450	9,561,038	7,275,511	8,915,805

4.15.1 Movement in Provision for Slow Moving Inventories

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
At the beginning of the year	349,743	405,821	318,820	385,805
Provision for/(Reversal of) slow moving inventories	14,122	(56,078)	9,039	(66,985)
At the end of the year	363,865	349,743	327,859	318,820

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

From 1 April 2018 Group/Company makes impairment for receivables based on the simplified approach to provide for Expected Credit Losses (ECLs), which permits the use of the lifetime expected loss provision for all trade receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

It has not resulted in a material change in loss allowance compared with previous policy. The allowance is provided by considering evidence of impairment for receivables at both an individual asset and at a collective level. All individually significant receivables are individually assessed for impairment by considering objective evidence i.e. experiencing a significant financial difficulty or default in payments by a customer. All individually insignificant debtors and based on management judgment, similar risk characteristic debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping them together based on similar risk characteristics.

In assessing collective impairment, the Group/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 and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

Carrying Value of Trade and Other Receivables

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables	7,609,266	6,454,988	5,379,413	4,828,452
Provision for impairment (Note 4.16.1)	(641,759)	(463,949)	(552,707)	(367,424)
	6,967,507	5,991,039	4,826,706	4,461,028
Other receivables	6,712	6,872	6,206	5,443
Carrying value	6,974,219	5,997,911	4,832,912	4,466,471

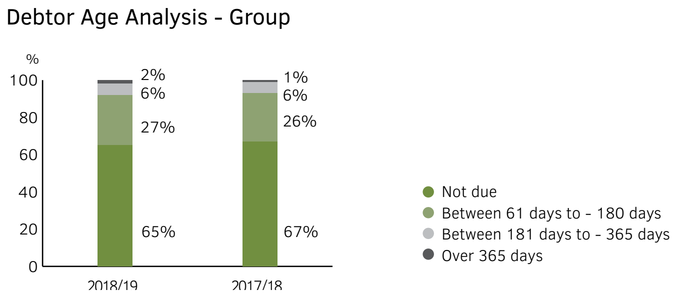
4.16.1 Movement in Provision for Impairment of Trade Receivables

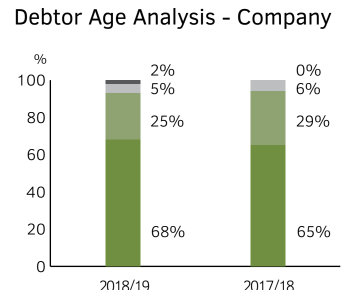
	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	463,949	544,962	367,424	454,966
Provision for/ (Reversal of) impairment of trade receivables	177,810	(81,013)	185,283	(87,542)
At the end of the year	641,759	463,949	552,707	367,424

4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Not due	4,537,268	4,018,092	3,294,062	2,904,281
Due but not impaired				
Between 61 days to 180 days	1,908,026	1,569,308	1,205,100	1,280,984
Between 181 days to 365 days	412,326	337,839	238,549	260,622
Over 365 days	109,887	65,800	88,995	15,141
Net trade receivables - maximum exposure to credit risk	6,967,507	5,991,039	4,826,706	4,461,028
Provision for impairment	641,759	463,949	552,707	367,424
Gross trade receivables	7,609,266	6,454,988	5,379,413	4,828,452

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES





4.16.3 Carrying amount of trade receivables, net of impairment, are denominated in the following currencies

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Currency				
Sri Lankan Rupees	6,420,457	5,604,830	4,407,716	4,177,805
USD	355,687	252,516	307,901	217,624
Euro	190,942	132,899	110,671	65,555
Japanese Yen	-	493	-	-
Other	421	301	418	44
	6,967,507	5,991,039	4,826,706	4,461,028

Trade receivables jointly with inventories have been pledged as security for short-term borrowings up to a limit of Rs. 295 million (2017/18 - 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 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Deposits	566,106	176,269	523,791	147,202
Prepayments	1,001,424	691,930	818,122	385,293
Lease rentals paid in advance (Note 4.10)	2,205	2,205	2,205	2,205
Other receivables	73,625	64,474	66,319	78,767
	1,643,360	934,878	1,410,437	613,467

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 forming an integral part of the Group's cash management are also included as a component of cash and cash equivalents in the Statement of Cash Flows.

Carrying Value of Cash and Cash Equivalents

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Bank balances	186,274	232,860	91,266	164,248
Cash in hand	36,752	32,672	27,836	27,290
	223,026	265,532	119,102	191,538

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 146.

4.18.1 Carrying amount of cash and cash equivalents are denominated in the following currencies

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Currency				
Sri Lankan Rupees	208,669	199,835	116,961	158,825
USD	3,047	50,539	2,124	22,113
Euro	20	9,084	17	8,498
Other	11,290	6,074	-	2,102
	223,026	265,532	119,102	191,538

4.19 STATED CAPITAL

As at 31st March	Company No. of Shares Rs.'000	Company 2019 Rs.'000	Company No. of Shares Rs.'000	Company 2018 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 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
At the beginning of the year	7,268,900	6,899,747	6,148,714	5,981,889
Impact of adoption of SLFRS 15	(80,347)	-	(55,483)	-
Dividends	-	(177,529)	-	(177,529)
Statement of Profit or Loss and other comprehensive income				
Profit/(Loss) for the year	51,307	519,309	(213,323)	324,905
Increase in net assets of DIMO Coastline (Pvt) Ltd	10,939	-	10,939	-
Other Comprehensive Income				
Actuarial loss arising from employees benefits (net of tax)	8,769	27,373	115	19,449
At the end of the year	7,259,568	7,268,900	5,890,962	6,148,714

Revenue reserves includes general reserves and retained earnings.

General reserve represents the amounts set aside by the Directors to meet any contingencies and potential future unknown liabilities. The Group/Company transfers the surplus profit, after retaining sufficient profits to pay final dividends declared from retained earnings account to the General Reserve account.

4.21 OTHER COMPONENTS OF EQUITY

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	4,050,962	2,839,898	4,049,154	2,839,885
Other Comprehensive Income				
Revaluation of freehold land, net of tax	-	1,208,991	-	1,208,991
Net fair value gains on remeasuring Equity Securities	(1,462)	371	(1,514)	363
Foreign currency translation reserve (Note 21.1.1)	6,479	1,702	5,040	(85)
At the end of the year	4,055,979	4,050,962	4,052,680	4,049,154

4.21.1 Foreign currency translation reserve

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

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	1,702	-	(85)	-
Net gains/(losses) arising from translating the Financial Statements of foreign operations	7,013	1,892	5,040	(85)
Foreign Currency Translation Reserve attributable to non-controlling Interest	(534)	(190)	-	-
	6,479	1,702	5,040	(85)
At the end of the year	8,181	1,702	4,955	(85)

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, the difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in Profit or Loss, unless it is capitalised as part of cost of the property, plant and equipment, over the period of the loan using the effective interest method.

4.22.1 Long-term Borrowings

4.22.1.1 Movement of Long-term Borrowings

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	593,579	907,090	590,100	907,090
Acquired through business combination (Note 4.12.3)	-	3,550	-	-
Loans obtained during the year	600,000	-	600,000	-
Repayments during the year	(350,758)	(317,061)	(349,960)	(316,990)
At the end of the year (before adjusting interest payable)	842,821	593,579	840,140	590,100
Interest payable	1,403	1,276	1,403	1,276
At the end of the year	844,224	594,855	841,543	591,376
Classified as current liabilities (repayable within one year)	354,044	282,350	351,363	281,236
Classified as non current liabilities (repayable after one year)	490,180	312,505	490,180	310,140

4.22.1.2 Principal Amounts of Long-term Borrowings

As at 31st March	Currency	Group 2019 Rs.'000	Group 2018 Rs.'000	Outstanding as at 31.03.2019 Rs.'000	Outstanding as at 31.03.2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000	Outstanding as at 31.03.2019 Rs.'000	Outstanding as at 31.03.2018 Rs.'000
Commercial Bank of Ceylon PLC	LKR	600,000	600,000	70,000	190,000	600,000	600,000	70,000	* 190,000
Commercial Bank of Ceylon PLC	LKR	800,000	800,000	240,140	400,100	800,000	800,000	240,140	** 400,100
HSBC Bank	LKR	600,000	-	530,000	-	*** 600000	-	530,000	-
DFCC Bank	LKR	****4,000	4,000	2,681	3,479	-	-	-	-
Total		2,004,000	1,404,000	842,821	593,579	2,000,000	1,400,000	840,140	590,100

* Repayable in 60 instalments commenced from December 2014
** Repayable in 60 instalments commenced from October 2015
*** Repayable in 60 instalments commenced from September 2018
**** Repayable in 48 instalments commenced from September 2017

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	HSBC Bank Rs.'000	DFCC Bank Rs.'000	Total 2019 Rs.'000	Total 2018 Rs.'000
Movement of Loans					
At the beginning of the year	590,100	-	3,479	593,579	907,090
Acquisition through business combination (Note 4.12.3)	-	-	-	-	3,550
Loans obtained during the year	-	600,000	-	600,000	-
Repayments during the year	(279,960)	(70,000)	(798)	(350,758)	(317,061)
At the end of the year	310,140	530,000	2,681	842,821	593,579
Analysis of Long-term Borrowings by Period of Repayment					
Repayable - within 1 year	229,960	120,000	2,681	352,641	281,074
- 1 to 5 year	80,180	410,000	-	490,180	312,505
	310,140	530,000	2,681	842,821	593,579

Company As at 31st March	Commercial Bank of Ceylon PLC Rs.'000	HSBC Bank Rs.'000	Total 2019 Rs.'000	Total 2018 Rs.'000
Movement of Loans				
At the beginning of the year	590,100	-	590,100	907,090
Loans obtained during the year	-	600,000	600,000	-
Repayments during the year	(279,960)	(70,000)	(349,960)	(316,990)
At the end of the year	310,140	530,000	840,140	590,100
Analysis of Long-term Borrowings by Period of Repayment				
Repayable - within 1 year	229,960	120,000	349,960	279,960
- 1 to 5 year	80,180	410,000	490,180	310,140
	310,140	530,000	840,140	590,100

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.22.2 Short-term Borrowings

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Short-term bank loans	8,992,467	7,992,541	8,464,556	7,638,296
Bank overdrafts	297,473	601,527	251,042	523,587
	9,289,940	8,594,068	8,715,598	8,161,883

Unutilised bank facilities as at 31st March 2019 amounted to Rs. 5,478 million (2017/18 - Rs. 4,060 million).

Short-term bank loans are repayable within a period of six months. Details of inventories and trade receivables amounting to Rs. 295 million 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 at 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.

In 2017/18 Group acquired Rs. 17 million finance lease obligations through business combination. These leases have been obtained for motor vehicles.

There is no finance lease liability applicable to the company.

Movement of Finance Lease Liabilities

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000
At the beginning of the year	17,016	-
Acquired through business combination (Note 4.12.3)	-	-
Lease Creditors	-	20,359
Finance Charge unamortised	-	(1,984)
	17,016	18,375
New leases obtained	8,424	-
Repayments	(13,013)	(1,525)
Finance Lease Expense recognised in Statement of Profit or Loss and Other Comprehensive Income	1,499	166
Present value of minimum lease payments	13,926	17,016
Finance charge unamortised	2,211	1,818
Future minimum lease payments	16,137	18,834
Finance Lease Liabilities are presented in Financial position as follows;		
Classified as non current liabilities	6,886	5,683
Classified as current liabilities	7,040	11,333
	13,926	17,016

Analysis of Finance Lease Liabilities by period of Re-payment

As at 31st March	2019 Future minimum lease payments Rs.'000	2019 Interest Rs.'000	2019 Present value of minimum lease payments Rs.'000	2018 Future minimum lease payments Rs.'000	2018 Interest Rs.'000	2018 Present value of minimum lease payments Rs.'000
Repayable - within 1 year	8,330	(1,290)	7,040	12,600	(1,267)	11,333
- 1 to 5 year	7,807	(921)	6,886	6,234	(551)	5,683
	16,137	(2,211)	13,926	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). Re-measurement 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 11.5% p.a. (2017/18 - 10.5%) 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

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	661,415	626,158	609,222	583,912
Acquisition through business combination (Note 4.12.3)	-	11,290	-	-
Included in Profit or Loss				
Current service cost	56,181	49,611	48,217	43,380
Interest cost	68,155	71,938	63,968	67,150
	124,336	121,549	112,185	110,530
Included in Other Comprehensive Income				
Net actuarial gain	(12,179)	(38,019)	(160)	(27,013)
	(12,179)	(38,019)	(160)	(27,013)
Total charge for the year	112,157	83,530	112,025	83,517
Included in Statement of Cash Flows				
Paid during the year	(37,127)	(59,563)	(34,357)	(58,207)
At the end of the year	736,445	661,415	686,890	609,222

4.23.2 Principal Actuarial Assumptions

An actuarial valuation was carried out as at 31st March 2019 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

Assumption	2019	2018
Financial		
Rate of discount	11.50% p.a.	10.50% p.a.
Salary escalation rate	10.50% p.a.	10.00% p.a.
Demographic		
Mortality-in service	A 1967/70 mortality table, issued by the Institute of Actuaries, London	
Retirement Age		
- An Executive employee	60 years	60 years
- A Non-Executive employee	55 Years	55 Years
Staff Turnover		
- Upto age 49	14%	14%
- 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 2019 amounted to Rs. 737.5 million (2017/18- Rs.615.2 million) and Rs. 680.6 million (2017/18- Rs.573.3 million) respectively.

4.23.3 Sensitivity Analysis

A one percentage change at the reporting date to one of the actuarial assumptions would have the following effects to defined benefit obligation.

Assumption	Change in Defined Benefit Obligation				Present Value of Defined Benefit Obligation			
	Group		Company		Group		Company	
	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000
Rate of discount	(28,399)	31,394	(26,387)	29,130	692,907	752,699	660,503	716,020
Salary escalation rate	34,276	(31,547)	31,848	(29,356)	755,581	689,758	718,738	657,534

4.23.4 Maturity Analysis of the payments

The table below summarises the maturity profile of the Group's/ Company's defined benefit obligation.

As at 31st March 2019	Group Rs.'000	Company Rs.'000
Within the next 12 months	257,627	238,688
Between 1 - 2 years	92,169	86,060
Between 2 - 5 years	189,853	182,634
Between 5 - 10 years	116,135	105,488
Beyond 10 years	80,661	74,020
	736,445	686,890

4.24 DEFERRED TAX

Accounting Policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Accounting Estimate

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Carrying Value of Deferred Tax Assets/(Liabilities)

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	(1,839,526)	(243,572)	(1,861,319)	(247,606)
Acquired through business combination (Note 4.12.3)				
- PlantChem (Private) Limited	-	16,359	-	-
- PlantSeeds (Private) Limited	-	(3,103)	-	-
Reversal/(Origination) of temporary differences to Profit or Loss	85,015	(26,630)	52,026	(34,156)
Origination of temporary differences to Other Comprehensive Income (Note 4.24.2)	(3,491)	(1,582,580)	(45)	(1,579,557)
At the end of the year (Note 4.24.1)	(1,758,002)	(1,839,526)	(1,809,338)	(1,861,319)
Made up as follows:				
Deferred tax assets	51,336	24,906	-	-
Deferred tax liabilities	(1,809,338)	(1,864,432)	(1,809,338)	(1,861,319)
	(1,758,002)	(1,839,526)	(1,809,338)	(1,861,319)

4.24.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Deferred Tax Liability				
Temporary difference arising from property, plant and equipment	(7,508,749)	(7,334,452)	(7,457,718)	(7,273,445)
Total temporary difference of deferred tax liability	(7,508,749)	(7,334,452)	(7,457,718)	(7,273,445)
Closing deferred tax liability @ 28%	(2,102,489)	(2,046,654)	(2,088,161)	(2,036,564)
Closing deferred tax liability @ 25%	17	(162)	-	-
Closing deferred tax liability @ 14%	-	(2,840)	-	-
Closing deferred tax liability @ 12%	-	(484)	-	-
	(2,102,472)	(2,050,140)	(2,088,161)	(2,036,564)
Deferred Tax Assets				
Temporary difference arising from defined benefit obligation	736,444	661,415	686,889	609,222
Temporary difference arising from Obsolete stock	38,700	-	2,695	-
Temporary difference arising from Debtors Impairment	276,069	-	185,283	-
Temporary difference arising from warranty provision	28,324	19,158	25,997	16,656
Temporary difference arising from Tax Losses	154,564	73,991	94,934	-
Total temporary difference of deferred tax assets	1,234,101	754,564	995,798	625,878
Closing deferred tax assets @ 28%	335,298	207,241	278,823	175,245
Closing deferred tax assets @ 25%	9,172	3,162	-	-
Closing deferred tax assets @ 12%	-	212	-	-
	344,470	210,614	278,823	175,245
Net temporary differences	(6,274,648)	(6,579,888)	(6,461,920)	(6,647,567)
Net deferred tax liability	(1,758,002)	(1,839,526)	(1,809,338)	(1,861,319)

4.24.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group				Company			
	As at 01.04.2018	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2019	As at 01.04.2018	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment								
- Deferred tax liability	(2,050,140)	(52,332)	-	(2,102,472)	(2,036,564)	(51,597)	-	(2,088,161)
Retirement benefit obligation								
- Deferred tax asset	184,913	24,701	(3,410)	206,204	170,581	21,792	(45)	192,328
Obsolete Stock								
- Deferred tax asset	-	10,836	-	10,836	-	754	-	754
Debtor Impairment								
- Deferred tax asset	-	76,785	-	76,785	-	51,879	-	51,879
Warranty provision								
- Deferred tax asset	5,364	2,567	-	7,931	4,664	2,616	-	7,280
Tax Losses								
- Deferred tax asset	20,278	22,458	-	42,736	-	26,582	-	26,582
- Effect of movement in exchange rates	59	-	(81)	(22)	-	-	-	-
	(1,839,526)	85,015	(3,491)	(1,758,002)	(1,861,319)	52,026	(45)	(1,809,338)

4.25 CONTRACT LIABILITIES AND DEFERRED INCOME

Policy Applicable from 01st April 2018

4.25.1 Contract Liabilities

Accounting Policy

Contract liabilities are the Group's/Company's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unprovided free services relating to vehicle sales.

Upon transferring the promised goods or services related to the liability, amount will be recognised as revenue in the Statement of Profit or Loss and Other Comprehensive income.

Unprovided free services relating to vehicle sales

Accounting Policy

The Company sells vehicles bundled with free services to the customers with limitations on mileage or usage period. The unprovided free services are recognised as a contract liability at the time of selling the vehicles at its relative fair value and is recognised as revenue when the performance obligation relating to liability is satisfied. i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

Accounting Estimate - Relative fair value of free services

The amount charged by the Company in respect of each service is recognised at the relative fair value of free services. These amounts are estimated using the combination of historical experience in service and price changes.

Carrying Value of Contract Liabilities

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Transferred from Deferred Income	261,243	-	117,796	-
Transferred from Trade Payables	206,095	-	142,728	-
During the year Addition	11,654,574	-	10,057,826	-
Amortisation	(11,359,942)	-	(9,870,181)	-
	761,970	-	448,169	-
Classified as current liabilities	684,978	-	418,591	-
Classified as non current liabilities	76,992	-	29,578	-
	761,970	-	448,169	-

Policy Applicable before 01st April 2018

4.25.2 Deferred Income

The table below summarises the details of deferred income of the Group/Company;

Carrying Value of Deferred Income

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Government grant (Note 4.25.2.1)	66,615	-	66,615	-
Customer Advances*	-	261,243	-	117,796
	66,615	261,243	66,615	117,796
Classified as current liabilities	66,615	225,581	66,615	94,983
Classified as non current liabilities	-	35,662	-	22,813
	66,615	261,243	66,615	117,796

* As per the initial application of SLFRS 15, customer advances are classified within the contract liabilities.

4.25.2.1 Government Grant

Accounting Policy

Grant is initially recognised as a deferred income when there is a reasonable assurance that the Group/Company will comply with conditions,if any, associated with the grant and it will be received.

The grant that compensates income/expenses incurred is recognised in profit or loss on a systematic basis in the periods in which the expenses/income are recognised.

Grant includes government subsidy relating to fertiliser imports covered under government subsidy scheme.

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Grants received during the year	911,216	-	911,216	-
Amortised during the year	(844,601)	-	(844,601)	-
At the end of the year	66,615	-	66,615	-

4.26 PROVISIONS

Accounting Policy

4.26.1 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 these Financial Statements.

4.26.2 Warranty Provisions

The provision for warranty relates mainly to vehicles sold for which the company gives warranty commencing from the date of sale. The warranty received by manufacturer is effective from date of shipment. This causes a time window during which the company is exposed to a warranty liability. A provision for warranty is recognised to cover such exposure to a liability. The provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said warranty provision will be reversed upon expiration of the warranty period.

4.26.3 Provision for litigation and claims

The Management considers likelihood of any claim succeeding, in making provisions against litigation and claims. 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.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for warranty	28,324	19,158	25,999	16,656
	39,324	30,158	36,999	27,656

Carrying value of warranty provision

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Balance Beginning of the year	19,158	6,812	16,656	5,179
Provision made during the year	20,791	18,188	19,293	14,459
Amount used/reversed during the period	(11,625)	(5,842)	(9,950)	(2,982)
Carrying value at the end of the year	28,324	19,158	25,999	16,656

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 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Trade payables	1,905,473	2,974,203	1,482,480	2,495,928

4.27.1 Carrying amount of trade payables are denominated in the following currencies

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Currency				
Sri Lankan Rupees	1,607,649	1,656,891	271,766	1,212,070
USD	145,361	1,195,722	954,389	1,204,673
Euro	152,463	121,590	256,325	79,185
	1,905,473	2,974,203	1,482,480	2,495,928

4.27.2 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Group and the Company as at the year-end was 0.65:1 and 0.55:1 respectively (2017/18 - Group 0.54:1, Company 0.43:1). 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. 863 million as bills payable corresponding to goods shipped but not received. At the time of settlement of 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 2019 Rs.'000	Group 2018 (Restated) Rs.'000	Company 2019 Rs.'000	Company 2018 (Restated) Rs.'000
Advances received	435,436	447,154	352,577	256,036
Unclaimed dividend	9,959	9,594	9,959	9,594
Value Added Tax (VAT)	29,304	452	-	-
Consideration payable	67,355	67,355	67,355	67,355
Provisions for litigation and claims (Note 4.26.3)	11,000	11,000	11,000	11,000
Warranty provision (Note 4.26.3)	28,324	19,158	25,999	16,656
Other payables and accrued expenses	1,167,021	983,916	738,648	790,153
	1,748,399	1,538,629	1,205,538	1,150,794

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. Current tax liabilities are recorded at the amounts expected to be paid.

Carrying Value of Current Tax Asset/(Liability)

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Opening balance	90,209	(11,893)	118,510	(14,990)
Reclassification	1,539	-	-	-
Acquired through business combination (Note 4.12.3)	-	(1,914)	-	-
Current tax for the year (Note 4.6)	(112,451)	(166,761)	(3,128)	(89,577)
	(20,703)	(180,568)	115,382	(104,567)
Tax paid during the year:				
Current tax, ESC and withholding tax	281,934	270,777	178,226	223,077
	281,934	270,777	178,226	223,077
Current tax asset	261,231	90,209	293,608	118,510
Made up as follows:				
Current tax asset	304,642	121,978	293,608	118,510
Current tax liability	(43,411)	(31,769)	-	-
	261,231	90,209	293,608	118,510

4.30 AMOUNTS DUE (TO)/FROM SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEE

For the year ended 31st March	DIMO (Private) Ltd Rs.'000	DIMO Industries (Pvt) Ltd Rs.'000	DIMO Travels (Pvt) Ltd Rs.'000	PlantChem (Pvt) Ltd Rs.'000	PlantSeeds (Pvt) Ltd Rs.'000	DIMO Lanka Company Limited Rs.'000	United DIMO Company Limited Rs.'000	DIMO Coastline (Pvt) Ltd Rs.'000	As at 31.03.2019 Rs.'000	As at 31.03.2018 Rs.'000
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	(498,941)	90,690	292	-	-	-	-	9,860	(398,099)	(115,830)
Sale of goods and services	13,297	248	-	-	-	-	-	828	14,373	37,098
Purchase of goods and services	(17,195)	(6,950)	-	-	-	-	-	-	(24,145)	(19,920)
Rendering of Management services	-	-	-	1224	1224	-	-	9,965	12,413	-
Expenses incurred on behalf of subsidiaries/equity accounted investee	167,930	12,200	-	-	-	-	-	7,228	187,358	161,199
Fund transfers - net	159,297	19,155	175	(408)	(408)	-	-	(14,706)	163,105	(476,532)
Asset transfer	(14,839)	-	-	-	-	-	-	2,546	(12,293)	15,953
Exchange rate translation difference	-	-	-	-	-	-	-	2,483	2,483	(67)
Closing balance due (to)/from subsidiaries	(190,451)	115,343	467	816	816	-	-	18,204	(54,805)	(398,099)

4.30.1 Summary of Amounts Due (to)/from Subsidiaries and Equity accounted investee

As at 31st March	Group 2019 Rs.'000	Group 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Amounts due from subsidiaries and equity accoted investee	18,204	9,860	135,646	100,842
Amounts due to subsidiaries	-	-	(190,451)	(498,941)
Amounts due (to)/from subsidiaries and equity accoted investee	18,204	9,860	(54,805)	(398,099)

SECTION 5 - OTHER DISCLOSURES

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards not covered elsewhere.

5.1 RELATED PARTY DISCLOSURES

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

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. 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 Directors) are Key Management Personnel 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. 0.5 million. (2017/18- Rs. 17.3 million).

5.1.1(b) The Compensation Paid to Key Management Personnel (KMP)

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

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

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

No loans were granted to KMPs of the Company.

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

	Group		Company	
As at 31st March	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Short-term employment benefits	407,402	421,731	364,645	412,871
Post-employment benefits	65,279	46,134	58,319	44,721
Terminal benefits	-	24,638	-	24,638
Total compensation applicable to Key Management Personnel	472,681	492,503	422,964	482,230

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 98.

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 2019.

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 4.30.

The Group has not recorded any impairment for receivables relating to amount owed by Group entities.

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 1,209.8 million (2017/18 - Rs. 874.7 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 2019 amounted to Rs. 49.3 million (2017/18 - Rs. 37.5 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 2019 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 2,211.6 million (2017/18 - Rs. 1,278.9 million).

Income tax assessments

During the year of 2013/14, the Commissioner General of Inland Revenue issued an assessment notice for the year of assessment 2010/11 on Diesel & Motor Engineering PLC pertaining to an additional tax liability on account of disallowing 2/3rd of NBT claimed on imports. An Appeal was lodged against the tax assessed by the Department of Inland Revenue. The matter currently pending with the Tax Appeals Commission.

With the advice of our 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 for the amount assessed. Accordingly no provision has been made in the financial statements. The contingent liability relating to this as at 31st March 2019 is estimated to be Rs. 124.7 million (2017/18 – Rs. 124.7 million).

5.3 OPERATING LEASE COMMITMENTS

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:

	Group		Company	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within one year	9,878	6,227	9,878	6,227
Between one to five years	37,509	22,048	37,509	22,048
Over five years	17,043	21,719	17,043	21,719
Total operating lease commitments	64,430	49,994	64,430	49,994

5.4 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting date, the Board of Directors of the Company approved a first and final dividend of Rs. 2.50 per share for the year ended 31st March 2019. Details of the above dividend are disclosed in Note 4.8 to the Financial Statements. There were no other material events that occurred after the reporting date that require adjustments to or disclosure in the Financial Statements.

Supplementary Information

This final section contains information that is complementary to the main report.

APPENDIX I – SHARE INFORMATION

1 STOCK EXCHANGE LISTING

The issued ordinary shares of Diesel & Motor Engineering PLC are listed with the Colombo Stock Exchange of Sri Lanka.

2 SHAREHOLDERS

The number of Ordinary Shareholders as at 31 st March 2019 was 1,952 (1,858 as at 31st March 2018).

	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	1,702	178,483	2.01	20	6,036	0.07	1,722	184,519	2.08
1,001 - 10,000	167	468,593	5.28	4	18,021	0.20	171	486,614	5.48
10,001 - 100,000	43	1,124,869	12.67			0.00	43	1,124,869	12.67
100,001 - 1,000,000	15	5,315,175	59.88			0.00	15	5,315,175	59.88
1,000,001and over	1	1,765,260	19.89			0.00	1	1,765,260	19.89
Total	1,928	8,852,380	99.73	24	24,057	0.27	1,952	8,876,437	100.00

	31st March 2019			31st March 2018		
Categories of Shareholders	No.of Share holders	No.of shares	%	No.of Share holders	No.of shares	%
Individuals	1,869	5,531,443	62.32	1,775	5,522,488	62.22
Institutions	83	3,344,994	37.68	83	3,353,949	37.78
Total	1,952	8,876,437	100.00	1,858	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 2019 was Rs. 304.70 (Rs. 464.90 as at 31st March 2018).

4 DIVIDEND PAYMENT

The Board of Directors of the Company declared a first and final dividend of Rs. 2.50 per share on 25th May 2019
(Rs. 20.00 per share – Interim Dividend – 2017/18).

5 SHARE TRADING INFORMATION FROM 1ST APRIL 2018 TO 31ST MARCH 2019

	2018/19	Date	2017/2018	Date
Highest (Rs.)	475.00	17-Apr-18	639.00	17-May-17
Lowest (Rs.)	290.00	27-Mar-19	462.00	28-Mar-18
Closing (Rs.)	304.70	29-Mar-19	464.90	29-Mar-18
No.of transactions	1,413		1,316	
No. of shares traded	59,388		103,629	
Value of shares traded (Rs.)	22,922,696		7,609,462	

6 PUBLIC SHAREHOLDING

As at 31st March	2019	2018
Public Holding %	53.18	53.18
No of Public Shareholders	1,940	1,846
Float adjusted market capitalisation (Rs.)	1,438,333,058	2,194,740,831

The Company complies with option 5 of the Listing Rules 7.13.1 (a) – Less than Rs. 2.5 Billion
Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

7 SHARE ISSUES AND BUY-BACKS FOR THE PAST TWENTY YEARS

Year	Issue	No. of Shares	Price (Rs.)
2011/12	Scrip (one share per every fifty shares held)	174,048	1,395.00
2008/09	Share Buy-Back	(1,397,611)	160.00
2006/07	Rights (one share per every ten shares held)	1,100,000	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	20.00
2000/01	Scrip (one share per every four shares held)	1,200,000	Nil

8 CHANGES IN SHAREHOLDINGS OF DIRECTORS DURING 2018/2019

Name	Shareholding %	As At 31st March 2019	Movement of Shares	As At 31st March 2018
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
	39.61	3,515,169	-	3,515,169

* Includes shares held by spouse

9 TOP TWENTY SHAREHOLDERS

	As At 31st March 2019		As At 31st March 2018	
Name	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	640,765	7.22	640,380	7.21
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	279,945	3.15
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 dor Jb Vantage Value E	110,697	1.25	110,697	1.25
United Motors Lanka PLC	109,883	1.24	109,883	1.24
Bank of Ceylon	77,937	0.88	77,935	0.88
Almar International (Pvt) Ltd.	62,861	0.71	62,861	0.71
Mr. C.R. Pandithage	51,340	0.58	41,340	0.47
Indira Siromani	46,000	0.52	46,000	0.52
	7,318,573	82.47	7,308,186	82.33

10 THE STATED CAPITAL REPRESENTS 8,876,437 ORDINARY SHARES.

APPENDIX II – GRI CONTENT INDEX

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
GRI 102: General Disclosures 2016					
Organizational profile					
	102-1 Name of the organization	179			
	102-2 Activities, brands, products, and services	14-15			
	102-3 Location of headquarters	179			
	102-4 Location of operations	73			
	102-5 Ownership and legal form	179			
	102-6 Markets served	14-15			
	102-7 Scale of the organization	73, 3,14-15,107,108			
	102-8 Information on employees and other workers	75, https://www.dimolanka.com/sustainability-performance/			
	102-9 Supply chain	12-13			
	102-10 Significant changes to the organization and its supply chain	12-13, 4-6, 20-31			
	102-11 Precautionary Principle or approach	4-6,18-19, 61-66			
	102-12 External initiatives	4-6, 48-54			
	102-13 Membership of associations	https://www.dimolanka.com/sustainability-performance/			
Strategy					
	102-14 Statement from senior decision-maker	4-6			
	102-15 Key impacts, risks, and opportunities	18-19, 61-66,			
Ethics and integrity					
	102-16 Values, principles, standards, and norms of behaviour	8-9, 53,75			
	102-17 Mechanisms for advice and concerns about ethics	53			
Governance					
	102-18 Governance structure	43			
	102-19 Delegating authority	43			
	102-20 Executive-level responsibility for economic, environmental, and social topics	47			
	102-21 Consulting stakeholders on economic, environmental, and social topics	47, 61			
	102-22 Composition of the highest governance body and its committees	53			
	102-23 Chair of the highest governance body	40-41			
	102-24 Nominating and selecting the highest governance body	59-https://www.dimolanka.com/stewardship/			
	102-25 Conflicts of interest	59-https://www.dimolanka.com/stewardship/			
	102-26 Role of highest governance body in setting purpose, values, and strategy	52			
	102-27 Collective knowledge of highest governance body	40-41,			
	102-28 Evaluating the highest governance body's performance	https://www.dimolanka.com/stewardship/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
	102-29 Identifying and managing economic, environmental, and social impacts	51, https://www.dimolanka.com/stewardship/			
	102-30 Effectiveness of risk management processes	61-66			
	102-31 Review of economic, environmental, and social topics	85, https://www.dimolanka.com/stewardship/			
	102-32 Highest governance body's role in sustainability reporting	3, https://www.dimolanka.com/stewardship/			
	102-33 Communicating critical concerns	61-66			
	102-34 Nature and total number of critical concerns	61-66			
	102-35 Remuneration policies			Confidentiality Constraints	Not disclose due to confidentiality of the data
	102-36 Process for determining remuneration	https://www.dimolanka.com/stewardship/			
	102-37 Stakeholders involvement in remuneration			Confidentiality Constraints	Not disclose due to confidentiality of the data
	102-38 Annual total compensation ratio			Confidentiality Constraints	Not disclose due to confidentiality of the data
	102-39 Percentage increase in annual total compensation ratio			Confidentiality Constraints	Not disclose due to confidentiality of the data
Stakeholder engagement					
	102-40 List of stakeholder groups	12, https://www.dimolanka.com/sustainability-performance/			
	102-41 Collective bargaining agreements	https://www.dimolanka.com/sustainability-performance/			
	102-42 Identifying and selecting stakeholders	61, https://www.dimolanka.com/sustainability-performance/			
	102-43 Approach to stakeholder engagement	https://www.dimolanka.com/sustainability-performance/			
	102-44 Key topics and concerns raised	https://www.dimolanka.com/sustainability-performance/			
Reporting practice					
	102-45 Entities included in the consolidated financial statements	3, 14-15			
	102-46 Defining report content and topic Boundaries	3			
	102-47 List of material topics	63, https://www.dimolanka.com/sustainability-performance/			
	102-48 Restatements of information	3			
	102-49 Changes in reporting	https://www.dimolanka.com/sustainability-performance/			
	102-50 Reporting period	3			
	102-51 Date of most recent report	May-2018			
	102-52 Reporting cycle	3			
	102-53 Contact point for questions regarding the report	179			
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APPENDIX II – GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
GRI 200 Economic Standard Series					
Economic Performance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	18-37			
	103-2 The management approach and its components	18-37			
	103-3 Evaluation of the management approach	18-37			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	81			
	201-2 Financial implications and other risks and opportunities due to climate change	18-37			
	201-3 Defined benefit plan obligations and other retirement plans	155			
	201-4 Financial assistance received from government	None			
Indirect Economic Impacts					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	86-92			
	103-2 The management approach and its components	86-92			
	103-3 Evaluation of the management approach	86-92			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	86-92			
	203-2 Significant indirect economic impacts	https://www.dimolanka.com/sustainability-performance/			
Procurement Practices					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	79-80, 82 & https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	79-80, 82 & https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	79-80, 82 & https://www.dimolanka.com/sustainability-performance/			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	82-83, https://www.dimolanka.com/sustainability-performance/			
GRI 300 Environmental Standards Series					
Materials					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	84-85, https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	84-85,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	84-85,https://www.dimolanka.com/sustainability-performance/			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	https://www.dimolanka.com/sustainability-performance/			
	301-2 Recycled input materials used	https://www.dimolanka.com/sustainability-performance/			
	301-3 Reclaimed products and their packaging materials	https://www.dimolanka.com/sustainability-performance/			
Energy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	83,https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	83 , https://www.dimolanka.com/sustainability-performance/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
	103-3 Evaluation of the management approach	83 , https://www.dimolanka.com/sustainability-performance/			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	83 , https://www.dimolanka.com/sustainability-performance/			
	302-2 Energy consumption outside of the organization	83 , https://www.dimolanka.com/sustainability-performance/			
	302-3 Energy intensity	83 , https://www.dimolanka.com/sustainability-performance/			
	302-4 Reduction of energy consumption	83 , https://www.dimolanka.com/sustainability-performance/			
	302-5 Reductions in energy requirements of products and services	83 , https://www.dimolanka.com/sustainability-performance/			
Water					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	84 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	84 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	84 , https://www.dimolanka.com/sustainability-performance/			
GRI 303: Water and Effluenets 2018	303-1 Interactions with water as a shared resource	84 , https://www.dimolanka.com/sustainability-performance/			
	303-2 Management of water discharge-related impacts	84 , https://www.dimolanka.com/sustainability-performance/			
	303-3 Water withdrawal	84 , https://www.dimolanka.com/sustainability-performance/			
	303-4 Water discharge	84 , https://www.dimolanka.com/sustainability-performance/			
Emissions					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	83-84 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	83-84 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	83-84 , https://www.dimolanka.com/sustainability-performance/			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	83-84 , https://www.dimolanka.com/sustainability-performance/			
	305-2 Energy indirect (Scope 2) GHG emissions	83-84 , https://www.dimolanka.com/sustainability-performance/			
	305-3 Other indirect (Scope 3) GHG emissions	83-84 , https://www.dimolanka.com/sustainability-performance/			
	305-4 GHG emissions intensity	83-84 , https://www.dimolanka.com/sustainability-performance/			
	305-5 Reduction of GHG emissions	83-84 , https://www.dimolanka.com/sustainability-performance/			
	305-6 Emissions of ozone-depleting substances (ODS)	83-84 , https://www.dimolanka.com/sustainability-performance/			
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	83-84 , https://www.dimolanka.com/sustainability-performance/			
Effluents and Waste					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	85 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	85 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	85 , https://www.dimolanka.com/sustainability-performance/			
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	85 , https://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
	306-2 Waste by type and disposal method	85 , https://www.dimolanka.com/sustainability-performance/			
	306-3 Significant spills		N/A		
	306-4 Transport of hazardous waste		N/A		
	306-5 Water bodies affected by water discharges and/or runoff	85 , https://www.dimolanka.com/sustainability-performance/			
Environmental Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	43 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	43 , https://www.dimolanka.com/sustainability-performance/			
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	43 , https://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	75-77 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	75-77 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	75-77 , https://www.dimolanka.com/sustainability-performance/			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	75-77 , https://www.dimolanka.com/sustainability-performance/			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	75-77 , https://www.dimolanka.com/sustainability-performance/			
	401-3 Parental leave	75-77 , https://www.dimolanka.com/sustainability-performance/			
Labor/Management Relations					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	75-77 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	75-77 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	75-77 , https://www.dimolanka.com/sustainability-performance/			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	https://www.dimolanka.com/sustainability-performance/			
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	76 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	76 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	76 , https://www.dimolanka.com/sustainability-performance/			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	76 , https://www.dimolanka.com/sustainability-performance/			
	403-2 Hazard identification, risk assessment, and incident investigation	65 , https://www.dimolanka.com/sustainability-performance/			
	403-3 Occupational health services	65 , https://www.dimolanka.com/sustainability-performance/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
	403-4 Worker participation, consultation, and communication on occupational health and safety	65 , https://www.dimolanka.com/sustainability-performance/			
	403-5 Worker training on occupational health and safety	65 , https://www.dimolanka.com/sustainability-performance/			
	403-6 Promotion of worker health	65 , https://www.dimolanka.com/sustainability-performance/			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	65 , https://www.dimolanka.com/sustainability-performance/			
	403-9 Work-related injuries	65 , https://www.dimolanka.com/sustainability-performance/			
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	75-77 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	75-77 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	75-77 , https://www.dimolanka.com/sustainability-performance/			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	75-77 , https://www.dimolanka.com/sustainability-performance/			
	404-2 Programs for upgrading employee skills and transition assistance programs	75-77 , https://www.dimolanka.com/sustainability-performance/			
	404-3 Percentage of employees receiving regular performance and career development reviews	75-77 , https://www.dimolanka.com/sustainability-performance/			
Non-discrimination					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	https://www.dimolanka.com/sustainability-performance/			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	https://www.dimolanka.com/sustainability-performance/			
Human Rights Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	https://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	https://www.dimolanka.com/sustainability-performance/			
	412-2 Employee training on human rights policies or procedures	https://www.dimolanka.com/sustainability-performance/			
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	https://www.dimolanka.com/sustainability-performance/			
Local Communities					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	86-92, https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	86-92, https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	86-92, https://www.dimolanka.com/sustainability-performance/			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	86-92, https://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
	413-2 Operations with significant actual and potential negative impacts on local communities	86-92, https://www.dimolanka.com/sustainability-performance/			
Customer Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	74 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	74 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	74 , https://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	74 , https://www.dimolanka.com/sustainability-performance/			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	74 , https://www.dimolanka.com/sustainability-performance/			
Marketing and Labeling					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	83 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	83 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	83 , https://www.dimolanka.com/sustainability-performance/			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	83 , https://www.dimolanka.com/sustainability-performance/			
	417-2 Incidents of non-compliance concerning product and service information and labeling	83 , https://www.dimolanka.com/sustainability-performance/			
	417-3 Incidents of non-compliance concerning marketing communications	83 , https://www.dimolanka.com/sustainability-performance/			
Customer Privacy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	45 , https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	45 , https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	45 , https://www.dimolanka.com/sustainability-performance/			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	45 , https://www.dimolanka.com/sustainability-performance/			
Socioeconomic Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	https://www.dimolanka.com/sustainability-performance/			
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	https://www.dimolanka.com/sustainability-performance/			

N/A - Not applicable

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', Company Registration Number PQ 146) to carry out an independent assurance engagement for the non-financial - qualitative and quantitative information (sustainability performance) reported in DIMO Integrated Annual Report 2018-19 ('the Report') in its printed format and the Company's website, for the financial year ending 31st March 2019. 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) activities based on AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) with 2018 Addendum and DNV GL's assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI's Principles for Defining Report Content and Quality. Our assurance engagement was planned and carried out in May 2019.

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 includes limited non-financial data and information related to the activities of new new acquisitions/investments made in the financial year, and entities over which DIMO does not exercise significant management control. This is as set out in the Report in the section 'Reporting Scope and Boundary'.

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 PROVIDER

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.

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 Siyambalape. 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 – Siyambalape Branch, and (iii) DIMO 800 Mercedes-Benz Centre, Colombo - 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 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.

APPENDIX III – INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

DNV·GL

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:

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;

GRI 301: Materials 2016 – 301-1, 301-2, 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, 303-3, 303-4, 305-5, 305-6;

GRI 306: Effluents and Waste 2016 – 306-1, 306-2, 306-3, 306-4, 306-5;

GRI 307: Environmental Compliance 2016 – 307-1;

GRI 401: Employment 2016 – 401-1, 401-2, 401-3;

GRI 402: Labor/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, 417-2, 417-3;

GRI 418: Customer Privacy 2016 – 418-1;

GRI 419: Socioeconomic Compliance 2016 – 419-1.

The Report brings out omissions/partial reporting of the performance indicators (305-7, 403-2) as systems are being developed to aggregate sustainability disclosures in line with the Principle of Reliability. DIMO has committed to reporting them in the next Report.

OBSERVATIONS

Without affecting our assurance opinion, we provide the following observations evaluating the Report's adherence to the following principles:

AA1000 ACCOUNTABILITY PRINCIPLES STANDARD (2018)

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality; i.e material matters identified by DIMO through its stakeholder engagement process are adequately brought out within the Report. Further, the Company has reviewed the responses from stakeholder engagement exercises carried out this year to identify shifts in relative materiality of topics identified. DIMO may take steps to strengthen awareness levels on material topics for key personnel across its various geographies and businesses, through frequent awareness and engagement sessions.

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity. DIMO's Sustainability Committee and senior management ensures various formal and informal processes for stakeholder engagement are carried out independently and that key expectations and issues arising from these processes are considered towards value creation and strategy formulation. Inputs from stakeholder engagement are further utilized towards refining capital management activities, value chain improvement, and towards identification of key risks.

Responsiveness

The extent to which an organization responds to stakeholder issues.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness., ie. the Report brings out the responses to key concerns of stakeholders including strategy and value creation towards the goals of sustainable development including performance on sustainability-related objectives and targets for the identified material matters.

Impact

The level to which an organisation monitors, measures and is accountable for how its actions affect its broader ecosystems

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Impact, ie. DIMO evaluates its various impacts due to identified material matters and how these create and/or change value for the Company and its key stakeholders.

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.

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 locations 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. Going forward, steps may be taken to implement internal management systems related to sustainability aspects and further strengthen the reliability of reported sustainability data through quality assurance systems for data measurement and recording.

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?

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness with respect to scope, boundary and time, ie. the Report includes disclosures requirements related to Content and Quality of the <IR> Framework and the GRI Standards.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality, ie. 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.

For DNV GL

Kiran Radhakrishnan
Lead Verifier - Sustainability Services
DNV GL Business Assurance India Private Limited, India.

Vadakepatth Nandkumar
Assurance Reviewer
Head – Regional Sustainability Operations
DNV GL Business Assurance India Private Limited, India.

31st May 2019, Colombo, Sri Lanka.

AA1000
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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

As at 31st March	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating Results										
Revenue	38,300,350	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
Profit before taxation	104,119	716,607	1,043,392	1,380,059	847,033	512,858	490,021	3,724,521	3,395,980	420,095
Income tax	(27,436)	(193,391)	(386,601)	(433,453)	(250,950)	(119,317)	(27,871)	(1,022,870)	(1,274,228)	(141,842)
Profit for the year	76,683	523,216	656,791	946,606	596,083	393,541	462,150	2,701,651	2,121,752	278,253
Profit attributable to Owners of the Company	51,307	519,309	656,791	946,606	596,083	393,541	462,150	2,701,651	2,121,752	278,253
Capital Employed										
Stated capital	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297	182,500	182,500
Other components of equity	4,055,979	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
Revenue reserves	7,259,568	7,268,900	6,899,747	6,725,026	5,973,747	5,473,721	5,191,118	5,000,566	2,882,735	882,816
Non-controlling interests	339,607	304,203	-	-	-	-	-	-	-	-
Total equity	12,080,451	12,049,362	10,164,942	9,989,679	9,237,938	7,917,493	7,631,167	7,440,615	4,200,847	2,200,928
Total borrowings	(7,085,577)	(7,348,715)	8,382,217	6,484,996	5,253,838	5,950,126	3,417,800	5,045,829	3,068,466	1,966,600
Total capital employed	22,214,615	21,238,277	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528
Assets Employed										
Non- current assets	11,776,291	11,695,795	8,357,266	7,982,821	8,039,357	6,937,410	5,719,010	4,763,435	3,099,509	2,149,406
Current assets	17,523,901	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
Total liabilities (excluding borrowings)	8,185,969	8,619,833	(4,212,259)	(3,857,969)	(3,458,434)	(2,227,035)	(1,851,412)	(2,813,774)	(3,670,168)	(1,370,901)
Total assets employed	37,486,161	21,503,681	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528
Cash Flow										
Net cash from/(used in) operating activities	(626,464)	463,058	(654,758)	(836,816)	648,049	(726,849)	3,207,700	(2,430,074)	1,793,848	846,833
Net cash from/(used in) investing activities	(360,050)	(1,113,776)	(684,812)	(223,129)	(677,408)	(1,361,283)	(970,581)	(788,829)	(937,710)	(24,275)
Net cash from/(used in) financing activities	1,245,649	155,879	(847,598)	(495,191)	(340,735)	975,156	(474,062)	277,902	(377,658)	(295,885)
Net increase/(decrease) in cash and cash equivalents	259,135	(494,839)	(2,187,168)	(1,555,136)	(370,094)	(1,112,976)	1,763,057	(2,941,001)	478,480	526,673
Key Indicators										
Earnings per share (Rs.)	5.78	58.50	73.99	106.64	67.15	44.34	51.16	304.36	239.03	27.97
Net assets per share (Rs.)	1,322.70	1,323.18	1,145.16	1,125.42	1040.73	891.97	859.71	838.24	473.26	252.92
Market value per share (Rs.)	304.70	464.90	559.90	549.70	630.00	505.00	505.00	982.20	1,484.70	394.25
Dividend per share (Rs.)	2.50	20.00	24.00	27.00	20.00	10.00	10.00	40.00	61.00	7.00
Dividends Paid (Rs.'000)	-	177,529	213,034	239,664	177,529	88,764	88,764	244,102	443,822	34,810
Annual sales growth (%)	(12.33)	(1.81)	17.86	34.64	34.25	24.64	(30.48)	35.91	178.78	14.61
Equity to total assets ratio (%)	40.07	41.09	44.66	49.13	51.46	49.19	59.15	48.63	38.40	39.78
Debt to equity ratio (%)	83.89	76.26	82.46	64.92	56.87	75.15	44.79	67.81	73.04	89.35
Dividend pay out (%)	-	33.93	32.44	25.32	29.78	22.56	19.21	9.04	20.92	12.51
Dividends cover (no. of times)	-	2.95	3.08	3.95	3.36	4.43	5.11	7.61	4.00	3.11
Price earnings ratio (no. of times)	52.71	7.95	7.57	5.15	9.38	11.39	9.70	3.23	6.21	14.89
Current ratio (no. of times)	1.24	1.24	1.30	1.47	1.45	1.50	1.71	1.60	1.27	1.20
Quick asset ratio	0.65	0.54	0.49	0.56	0.75	0.70	0.72	0.31	0.84	0.79
Turnover to capital employed (no. of times)	1.72	2.06	2.40	2.29	1.93	1.51	2.51	3.19	4.04	2.53
Interest Cover (no. of times)	1.07	1.68	2.22	3.93	3.00	2.42	2.42	15.67	17.35	2.20
Average no. of employees	1906	1788	1,649	1,554	1,524	1,518	1,433	1,179	942	867

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
Website : 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
Seylan Bank PLC
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

DIRECTORS OF SUBSIDIARIES IN SRI LANKA

DIMO (Private) Limited

Subsidiary incorporated in 1980

A.R. Pandithage (Chairman)
A.G. Pandithage
S.C. Algama (Managing Director)
R.H. Fernando
B.C.S.A.P. Gooneratne
P.K.W. Mahendra
S.R.W.M.C. Ranawana

DIMO Travels (Private) Limited

Subsidiary incorporated in 1975

A.R. Pandithage (Chairman)
S.C. Algama
M.V. Bandara
E.D.C. Kodituwakku

DIMO Industries (Private) Limited

Subsidiary incorporated in 1979

A.R. Pandithage (Chairman)
A.G. Pandithage
S.C. Algama
B.C.S.A.P. Gooneratne

PlantChem (Private) Limited

Subsidiary acquired in 2018

A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B. Dematawa (Managing Director)
B.C.S.A.P. Gooneratne
A.G.J. Gunathilaka
U. Wanigasinghe
W.P.S.A. Weerawardhana

PlantSeeds (Private) Limited

Subsidiary acquired in 2018

A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B. Dematawa (Managing Director)
B.C.S.A.P. Gooneratne
A.G.J. Gunathilaka
U. Wanigasinghe
W.P.S.A. Weerawardhana

DIRECTORS OF SUBSIDIARIES IN MYANMAR

DIMO Lanka Company Limited

Subsidiary incorporated in 2017

A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne

United DIMO Company Limited

Subsidiary invested in 2017

A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
H. S. Amaratunga
U.T. Zin
U.M.Z. Aung

DIRECTORS OF THE JOINT VENTURE IN MALDIVES

DIMO Coastline (Private) Ltd

Joint venture acquired in 2017

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

NOTICE OF MEETING

NOTICE is hereby given that the Seventy Fourth 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 27th June, 2019 at 12.00 p.m. and the business to be brought before the meeting will be:

AGENDA

1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2019, together with the Reports of the Directors' and Auditors thereon.

2. Directors

   (i) To re-elect Mr. Mudiyanselage Vijitha Bandara, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

   (ii) To re-elect Mr. Bodiyabaduge Charindra Suresh Alexius Perera Gooneratne, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

   (iii) To re-elect Dr. Harsha Cabral, Director, who retires by rotation in terms of Article 66 of the Association of the Company.

   (iv) To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is 71 Years old and who vacates his office in terms of Section 210 of the Companies Act No.7 (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 71 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"

   (v) To re-appoint as a Director Mr. Ranjeevan Seevaratnam, who is 75 Years old and who 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 75 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"

   (vi) To re-appoint as a Director Mr. Sarath Chandrasiri Algama, 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. Sarath Chandrasiri Algama, 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. Sarath Chandrasiri Algama"

3. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

4. To authorise the Directors to determine contributions to charities.

   The profiles of the Directors proposed for re-election are given on pages 40 to 41 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, No. 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

25th May 2019
Colombo

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 FOURTH ANNUAL GENERAL MEETING of the Company to be held on THURSDAY, 27th June, 2019 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, 2019, the Report of the Auditors and the Annual Report of the Board for the said year.	☐	☐
(2) Directors		
(i) To re-elect Mr.Mudiyanselage Vijitha Bandara, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	☐	☐
(ii) To re-elect Mr. Bodiyabaduge Charindra Suresh Alexius Perera Gooneratne, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	☐	☐
(iii) To re-elect Dr. Harsha Cabral, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	☐	☐
(iv) To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is 71 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.	☐	☐
(v) To re-appoint as a Director Mr. Ranjeevan Seevaratnam, who is 75 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. Sarath Chandrasiri Algama, 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.	☐	☐
(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 Nineteen.

....

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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