

# FIGHTING SPIRIT



Diesel & Motor Engineering PLC  
Annual Report 2020/21



# FIGHTING SPIRIT

Welcome to our annual report for 2020/21, a review that reflects a year of great complexity, for which there was no blueprint to follow. Yet as always, your company relied on its good fundamentals and strategically diversified portfolio of industry sectors to keep delivering value to all our stakeholders; evolving, innovating and re-shaping the way we live, work and transact business.

Today, we're pleased to report that an increased focus on streamlining our systems and processes while strengthening value and capacity management and reducing costs has helped us achieve the year's targets, with a positive outlook for the future as well.

None of this would have been possible without the strength and dependability of our DIMO Tribe, whose loyalty, determination and fighting spirit have delivered such a positive outcome in such a challenging environment. They are the reason why we remain confident in these unpredictable times; strong in the knowledge that our commitment to corporate stability, social responsibility and sustainable value creation will drive your company forward, both now and into the years ahead.



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The PDF version of the Annual Report 2020/21 can be read at:  
<https://www.dimolanka.com/wp-content/uploads/2021/05/AR-2020-2021.pdf>

# HIGHLIGHTS OF VALUE CREATED OR ERODED

FOR THE YEAR ENDED ON 31ST MARCH 2021

The pandemic brought forth our survival instinct and we embraced the opportunities that existed in re-shaping ourselves and our thinking.

## PROFIT AFTER TAX

Rs. Million  
**536**

(2019/20 – Rs. 201 Million)

## NET ASSETS PER SHARE

Rs. Million  
**1,638**

(2019/20 – Rs. 1,350 Million)

## EARNINGS PER SHARE

Rs.  
**52.72**

(2019/20 – Rs. 21.12)



**4.06**

Employee engagement score  
(2019/20 – 4.11)



**89%**

Customer satisfaction index  
(2019/20 – 90%)



**0.16 tCo<sub>2</sub>e**

Carbon emission to generate  
one-million-rupee turnover  
(2019/20 – 0.19 tCo<sub>2</sub>e)

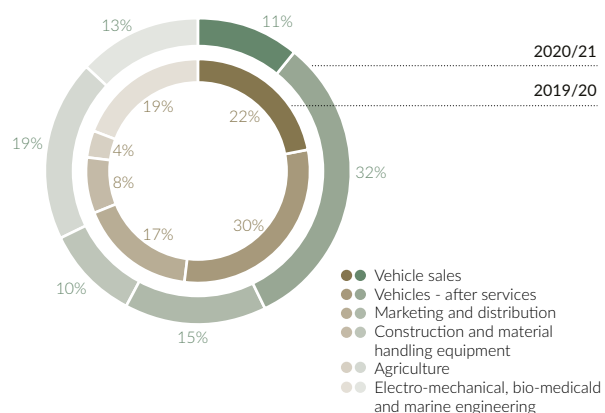


**2.9 million  
kWh**

In house renewable energy  
generated for the national grid

A well diversified product portfolio that leverages risks and stimulate growth

Segment results 2020/21 vs 2019/20



Recognised as a great place to work for the 8th consecutive year by the Great Place To Work Institute Sri Lanka



# BASIS OF PREPARATION

In this report, we provide a concise and transparent assessment of how we performed in line with our strategy and created value for our stakeholders during the 12-month period ended 31st March 2021; and most importantly, describes our ability to create value for them in future.

## Materiality

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

 pages 16 to 17 - Stakeholder engagement  
pages 54 to 56 - Risk management

## Reporting boundary




Scope	Integrated reporting boundary	Financial reporting boundary
Diesel & Motor Engineering PLC (DIMO)	✓	✓
Subsidiaries	✓	✓
Joint venture	✗	✓
Key stakeholder concerns	✓	✗
Key external environmental factors	✓	✓

 Refer the Group Structure presented on **page 21** for the information on Group's subsidiaries and Joint ventures

## Laws, regulatory frameworks, standards, guidelines and protocols followed in compiling the integrated annual report

- The Companies Act No. 07 of 2007
- The Listing Rules of the Colombo Stock Exchange (CSE)
- Sri Lanka Accounting Standards (LKASs / SLFRSs)
- International Integrated Reporting Framework (International <IR> Framework) 2021, of which the Company is a business network member
- GRI Standards issued by the Global Sustainability Standards Board (GSSB) (*This report has been prepared in accordance with the GRI Standards: Comprehensive option*)
- The Greenhouse Gas Protocol Corporate Standard published by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) is used to measure and report on the Group's carbon footprint

## Independent assurance

- Assurance from the Independent Auditors on the Consolidated Financial Statements  
 pages 72 to 75
- Assurance from the Independent Auditors on the Integrated Report  
 pages 60 to 61
- Assurance from the Independent Auditors on the Sustainability Indicators  
 pages 143 to 144

## Board of Directors' statement on the Integrated Annual Report


The Board of Directors;

- acknowledges that reasonable care has been taken in the preparation and presentation of this Integrated Annual Report to preserve its integrity
- agrees that the Integrated Annual Report has been presented in accordance with the International Integrated Reporting Council's International Integrated Reporting Framework 2021
- believes that, to the best of our knowledge and belief, the Integrated Annual Report addresses all material issues and fairly presents the integrated performance of the Group and its impacts.

Signed for and on behalf of the Board,

  
**A. R. Pandithage**  
Chairman/  
Managing Director

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

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

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

28th May 2021  
Colombo

The sections below, which are available on our corporate website, form part of this report



 Information supplementary to the Annual Report - Sustainability Performance  
<https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf>



 Information supplementary to the Annual Report - Corporate Governance  
<https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf>

# A MESSAGE FROM THE CHAIRMAN



**DIMO is now in possession of a well-balanced business portfolio, although it is still led by the automobile segments. Our long-term intention is to grow every segment, and reduce dominant dependence on a singular segment.**

It gives me great pleasure to address you once again. I share with you some much needed good news as well as an account of the challenges we faced, and most importantly, my thoughts on what lies ahead for your company.

The company results presented here are in the context of the adversities we experienced this past year. I do so to offer a transparent picture of how our businesses navigated the COVID-19 pandemic.

## Disrupted by the pandemic but toughened by resolve

We welcomed the new financial year from our homes, locked down due to the pandemic. Those of our tribe members involved in healthcare, transportation and logistics remained busy - on the roads, in hospitals or at our workshops - playing their part in furnishing critical supplies to the nation.

The pandemic brought forth our survival instinct and we soon embraced the opportunities that existed in re-shaping ourselves and our thinking. This inspired in my tribe what I would call the “locksmith effect” where the heat of the environment made us amenable to change, rendering us to re-shape ourselves and emerge tougher and ready to take on a changed world.

It is distressing to see the difficulties experienced by our whole nation by the pandemic. As an entity, DIMO also adopted an extremely cautious approach initially, with emphasis on liquidity and refining credit lines. Our cautiousness eventually diminished with demand picking up and supply lines becoming regular.

## Getting ahead of the turbulence in the automobile business

A restriction on the import of passenger and commercial vehicles came into effect in May 2020, effectively closing the doors to the new vehicle sales business. The import of spare parts also came under increased regulation with supplier credit stipulations imposed for several spare part categories. Along with the pandemic, the restrictions on vehicle imports brought added pressure.

In response to the changed regulatory environment, we re-organised the vehicle sales team assigning them to the pre-owned vehicle sales business. We simultaneously actioned plans to harness the potential of our after sales businesses including spare parts, the success of which is evident in the year end results of the vehicle after services business.

## On the economic front

The economic situation was eventful and noteworthy. The pandemic-induced pressure on exports and foreign remittances together with other factors that impacted the country's balance of payment. Changes to regulations during the year included restrictions on new overseas investments and the requirement of supplier credit for selected imports.

The Sri Lankan Rupee depreciated 5.5% against the US dollar during the year and the AWPLR reduced by 350 basis points during the same period to end at 5.8%, providing relief on the finance cost and the financing cost of capital equipment that we sell.

## Beating adversity

The magnitude of the external turbulences was such that decisive and timely actions were required to infuse stability and activate alternate strategies. Amidst adversity, my leadership team planned counter strategies and secured the commitment of the whole tribe to deliver a profit before tax of Rs. 720 million (2019/20 - Rs. 280 million) and an earnings per share of Rs. 52.72 (2019/20 - Rs. 21.12).

## A MESSAGE FROM THE CHAIRMAN

### Noteworthy change

From its inception, DIMO has been involved in the business of vehicle imports, which has been the company's dominant business. The restrictions on vehicle imports affected this dominance and adversely impacted our revenues, which we were able to overcome owing to our previously planned strategy of securing revenue from other sources. With considerable contributions from other business segments, the Group was eventually able to achieve the planned results. Considering the historical dominance of DIMO's automobile sector, this is a milestone change in our history with potential for exponential growth.

### Diversification for growth

Our quest for diversification continues. The latest initiatives have been in securing representation of the world's leading brands in cardiovascular devices and consumables, and forming an alliance with BASF to represent their industrial and nutrition chemicals in Sri Lanka. Whilst the entry into cardiology provides new avenues for growth, the chemicals business too opens doors to a new business domain. More investments in these areas will follow.

The DIMO Academy for Technical Skills (DATS) was formed thirty one years ago to train youth in automobile engineering, free of charge. The Group's strategic plan recently identified education services as an area of growth with plans to invest further in this domain. On this vein, DATS ventured into providing technical education as a business and is showing great promise for future development. The courses currently offered include a Diploma in Automobile Mechatronics and a Diploma in Plant Engineering, both awarded by the German Chamber of Industry and Commerce.

### Technology as a value driver

The Group further identified the technology arena as a pathway to development. Therefore, taking digitisation and digitalisation to the next level has become a strategic priority. In this respect, we have embarked on replacing our enterprise resource planning system (ERP) with a Tier-1 ERP which will allow the company to transform into a superior, customer-experience driven entity.

We have also looked at adding value through technology from an entrepreneurial angle. Technology now plays an indispensable role across the business and lifestyle sectors offering advantages in competitiveness, efficiency and ease. Seeking returns in this domain, we embarked on a software-solutions venture by acquiring a 49% stake in a newly formed entity, with our partners injecting core competencies into the business. The initial investment of Rs.25 million, though less in comparison to our regular investments, is not an indication of the potential that this opportunity holds.

### Driving our differentiation strategy

We collaborate with two of our key stakeholders to drive our differentiation strategy. Our foreign principles, owners of best-in-class technology, offer us invaluable support and guidance. We nurture these relationships by going the extra mile. This responsibility rests with my tribe members who thus far have built strong relationships with our partners and have identified several prospects with them to form new fruitful alliances. The accolades that we received as a Great Place to Work for the 8th consecutive year and as Sri Lanka's Healthiest Workplace are testimony to our efforts in ensuring an engaged tribe.

### Assembly of vehicles

The current government policy with regard to vehicle imports led us to consider the option of assembling vehicles in Sri Lanka. We have obtained the necessary approvals to perform a vehicle assembly operation on semi knock down (SKD) basis and the service will be available in the market soon. The assembly operation will be carried out at our premises in Weliveriya.

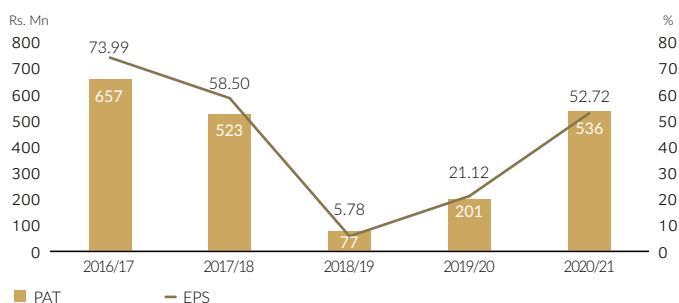
### Foreign operations

Our foreign operations in Myanmar, Maldives and Uganda were also affected by the pandemic and resulting lock downs. Political developments in Myanmar, and their consequent impact on the banking industry and the vehicle assembly industry temporarily halted our automobile sales operations in Myanmar. We are closely monitoring developments in order to re-commence operations.

### Dampened hopes

Our foray into agriculture has so far delivered excellent results. The fertiliser business grew from strength to strength whilst subsidiaries in agrochemicals and seeds, acquired three years ago, produced good gains. The government's stated policy of promoting agriculture,

**Graph 01:**  
**Group PAT vs EPS**





boosted our emphasis in investing in the sector. However, the recent announcement banning the import of inorganic and agrochemicals will have an adverse effect. This decision will affect our business prospects in the short and medium term, unless a revision is made to the new regulations announced. Whilst fully appreciating the need to control the harmful effects of inorganic fertilisers and agrochemicals, we propose a staggered approach in implementing such a policy.

Going forward, as a country, we are in possession of key resources for agricultural development. Therefore, notwithstanding the current policy, we will seek further opportunities in agriculture including post-harvest value addition. We believe DIMO should stand firm with the view of facilitating growth in the agriculture sector.

### Looking ahead

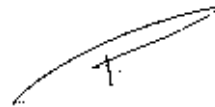
As discussed, the limitations placed upon our businesses directed us to look for alternative strategies such as cost optimisation and broadening of revenue streams. In doing so, we have reduced the risk of dependency on any particular segment. DIMO is now in possession of a well-balanced business portfolio, although it is still led by the automobile segments. Our long-term intention is to grow every segment, and reduce dominant dependence on any single segment. An analysis of our recent ventures clearly show that we are treading the correct path.

The businesses of vehicle sales, fertiliser and agrochemicals which performed well, will not continue their contribution towards the overall performance unless there is a reversal of government policy. Alternative strategies that are being explored will only show results in the long term. The agriculture related businesses such as Agri-Machinery sales, which performed extremely well during the year, may feel the knock-on effect of import restrictions on fertiliser and agrochemicals.

The lacuna created by the curtailments in vehicle, fertiliser and agrochemical imports needs to be filled by other businesses in the short term in order to ensure overall growth. The businesses of vehicle parts, after-services, medical engineering, construction machinery sales & service and building technologies are expected to continue their good performance, ramping up their contribution to the Group result. The business plans show that the power engineering business too will significantly add to the overall result. All the resources we possess have been lined up to deliver growth in profits and value to our stakeholders.

### Acknowledgements

Seeing through a very difficult year and coming out of it with a fighting spirit require exceptional contributions. The members of my tribe did an outstanding job in absorbing and responding to the external stress. I deeply appreciate their commitment and hard work. The members of the Board have always been a source of strength to me. I acknowledge the counsel received from them to steer the company during difficult times and thank them for their valuable input. Our principals, who are true collaborators, continued to extend their fullest support and ensured supply continuity and customer satisfaction, despite many constraints. While thanking them, I am assured of their continued partnership to take DIMO to greater heights.



**A.R. Pandithage**  
Chairman/Managing Director

28th May 2021  
Colombo

# STRATEGIC REVIEW BY THE GROUP CEO



**Now and in the future, our purpose-driven strategy will be even more relevant than before. We shall remain focused and persistent in executing the corporate plan and creating value to our stakeholders while contributing to the creation of a more sustainable world – a new normal, far better than the one before.**

## An unprecedented year

The year 2020/21 was marked by historic upheavals and business disruptions mainly due to the COVID-19 pandemic that broke out in mid-March 2020.

The pandemic's social and economic shock influenced consumer purchasing decisions, disrupted global and local supply chains and prompted numerous government policies. Consequently, alongside

the global economic downturn induced by the pandemic, the Sri Lankan economy contracted by 3.6% in real terms in 2020, recording its deepest recession since independence.

## DIVERSIFICATION STRATEGY



### Facilitates growth and diversify risks

In comparison, our profit composition is well balanced as they come from many clusters, as opposed to the dominance of contributions from vehicle related segments that we experienced in the past.

## Returns driven by the well diversified product portfolio

Group revenue fell by 11% from Rs. 34,385 million in 2019/20 to Rs. 30,819 million in 2020/21, owing to the hostile external business environment. However, the Group's well-diversified product portfolio with diverse scales of margins allowed the Group to increase its gross profit by 2% from Rs. 7,332 million in 2019/20 to Rs. 7,467 million in 2020/21. This stable gross profit together with a 44% reduction in net finance cost resulted in a 167% increase in Group profit after tax from Rs. 201 million in 2019/20 to Rs. 536 million in 2020/21.

The vehicles sales segment reported a 48% reduction in segment results, reflecting the 45% reduction in new vehicle registrations reported by the industry owing to government restrictions on vehicles imports, which may remain in force for some time. The Group undertook stringent cost-cutting measures to reduce the cost of the vehicle sales segment to ensure that it does not erode the profits generated by other segments.

The vehicles – after service segment recorded year to year growth of 11%, contributing 31% of the Group's segment results. Efforts to increase bay utilization and vehicle service times, as well as marketing investments to stimulate market pull for vehicle spare parts, contributed to the segment's growth.

The agriculture segment generated impressive results with a 384% increase in its results, contributing to 19% of the Group's segment results compared to the 4% contribution in last year. Internal efforts such as an improved value proposition and well-planned marketing investments contributed to this development, which was supported by external factors including favourable weather conditions.

Marketing and distribution segment recorded a 5% reduction in its segment result. While original auto equipment, tyre businesses and consumer lighting business saw impressive results, the losses recorded in the coatings business and reduced performance in the lighting solutions business contributed towards the overall decline. The segment is now in the process of revamping its operating framework with a refined set of marketing channels.

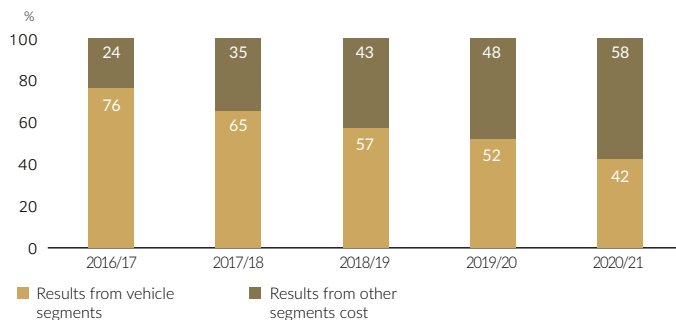
Electro mechanical, bio-medical and marine engineering segment results stood at Rs. 407 million for the financial year. Though this result is 26% lower than that of last year, the segment was able to achieve its business plan for the year 20/21. A key highlight for the segment was the opening

of the Sri Lanka's first ever government owned wind power park in Mannar, for which DIMO was the Electrical Balance of Plant contractor including the implementation of the Electrical SCADA system.

Construction and material handling segment reported a 21% increase in its results compared to last year, mainly due to a 92% increase in construction and mining machinery sales.

Graph 02:

#### Results from vehicle segments vs other segments



#### Responding to the pandemic crisis with agility

The crisis response plan of the company took effect in two phases: the survival phase and the rebound phase.

The survival phase involved securing liquidity, refining credit lines, making materials accessible, reducing costs, developing policies and procedures for employee and consumer health and safety, and making human resources available virtually. This helped DIMO navigate the initial chaos and continue business operations.

We understood the necessity for agility in seizing underlying opportunities as we continued to live with the COVID-19 pandemic. We thus entered the rebound phase where the management together formed a revised business plan for the financial year with stretched targets and tangible plans, which the respective segments went on to achieve. The resilience and agility shown by our own tribe in this achievement is remarkable. I am indeed inspired by their fighting spirit.

#### Unexpected government policies on imports

In a surprise move, the government recently announced restrictions on inorganic fertiliser and pesticides. The ruling, which came while we were still recovering from the vehicle import ban, is yet another unexpected government decision that could put downward pressure on the Group's ability to meet its business plans. We are now in the process of assessing and quantifying the ban's implications while seeking resource re-allocation options to ensure the delivery of the business plan.

#### Re-booting the corporate plan

While the business plan navigates short-term performance, the management developed a three-year corporate plan to drive DIMO's long-term diversification strategy in both related and unrelated diversification. The plan includes priority areas for critical diversification,

that will limit risks associated with the Group's reliance on imports, as well as concrete plans and resources needed to capitalise on such opportunities. Group Management Committee members were tasked with driving the strategy and securing the necessary resources. The first year of the corporate plan was extracted and is currently being executed and tracked as the business plan for the year 2021/22.

#### Trade-offs for the future growth

Our corporate plan recognises trade-offs of monetised capital to improve the agility of systems and processes, to nurture customer relationships and most importantly to develop leaders with integrated thinking. Investment in a Tier-1 ERP system, which is expected to materialise by the end of the current financial year, is one such material trade-off.

#### Remodelling sustainability goals

Sustainability is an imperative that demands responsible behaviour of corporates in product offerings, business conduct and voluntary investments in community development and environmental preservation. While DIMO has comprehensive management systems in place for quality, environment, and social accountability to ensure responsible business conduct, we go the extra mile to integrate products that provide solutions to broader sustainability issues. Renewable energy is one such area where we have generated 2.9 million kWh of electricity for the national grid in year 2020/21.

Recently, we also looked at our sustainability goals through a brand-new lens and identified wider areas to which DIMO will commit itself in the next five years. Diverse topics such as gender equality, carbon emissions, road safety, vocational educational opportunities, and smart agriculture are among them.

#### Way forward

Looking ahead, the volatility in the external environment is expected to continue and operating conditions are anticipated to remain challenging. Despite the challenges and uncertainties, I am confident that DIMO is well positioned to fulfil its purpose. The competencies and fighting spirit of my tribe members, the strong relationships we've built with our business partners and customers, the expertise we've built over 80 years and our unique approach to value creation are the key sources of this strength.

Now and in the future, our purpose-driven strategy will be even more relevant than before. We shall remain focused and persistent in executing the corporate plan and creating value to our stakeholders while contributing to the creation of a more sustainable world – a new normal, far better than the one before.

A.G. Pandithage  
Director/Group Chief Executive Officer

28th May 2021  
Colombo

# BOARD OF DIRECTORS

The Board of Directors who holds the accountability for creating value and achieving the Group's purpose of "Fuelling Dreams and Aspirations"

	01	02
03	04	05
06	07	08



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01. **A.R. Pandithage**  
Chairman/Managing Director

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

03. **S.C. Algama**  
Executive Director

04. **A.N. Algama**  
(Resigned w.e.f. 8th March 2021)  
Executive Director

05. **M.V. Bandara**  
Executive Director

06. **Dr. H. Cabral**  
Independent Non-Executive Director

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

08. **P.K.W. Mahendra**  
Executive Director

09. **A.M. Pandithage**  
Non-Executive Director

10. **A.N. Ranasinghe**  
(Resigned w.e.f. 15th May 2021)  
Executive Director

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

12. **R. Seevaratnam**  
(Resigned w.e.f. 31st July 2020)  
Independent Non-Executive Director/Senior Independent Director

13. **J.M. De Silva**  
Independent Non-Executive Director

14. **A.D.B. Talwatte**  
Independent Non-Executive Director/Senior Independent Director



Detailed profiles of the Directors including positions held in other companies & Committees can be viewed at  
<https://www.dimolanka.com/about-us/board-of-directors>

## BOARD OF DIRECTORS

### A.R. Pandithage

#### Chairman/Managing Director

##### Appointments at DIMO

Joined the Company in June 1973 and was 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 was 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, Information Technology and leadership

### 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

### A.N. Algama\*\*

#### Executive Director

##### Appointments at DIMO

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

##### Expertise

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

\*\*Resigned w.e.f. 8th March 2021

### M.V. Bandara

#### Executive Director

##### Appointments at DIMO

Joined the Company in February 1995 and was 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

### 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 the 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 was 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 Jaywardenepura.

##### Expertise

Finance

### 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 the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport. Member of the Advisory Council, Ministry of Ports and Shipping.

**Expertise**

Business leadership, logistics and transport

**S.R.W.M.C. Ranawana****Executive Director****Appointments at DIMO**

Joined the Company in November 2002 and was 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 industrial sales

**J.M. De Silva****Independent Non-Executive Director****Appointments at DIMO**

Appointed to the Board in August 2020

**Board committee memberships:** NC, RC, AC, RPTRC

**Qualifications and titles**

A Post Graduate Diploma holder from the International Statistical Programs Center, Washington DC; Fellow (FBCS) of the BCS, the Chartered Institute for IT and a Chartered IT Professional (CITP). Recipient of the ICT Lifetime Achievers' Award / Most Outstanding Contribution Award for services to the software industry in Sri Lanka, awarded at the National Best Quality Software Awards in 2011.

**Expertise**

Information Technology

**A.N. Ranasinghe \*\*****Executive Director****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**

Strategy, marketing and sales

\*\*Resigned w.e.f 15th May 2021

**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

\*\* Resigned w.e.f 31st July 2020

**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 a 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

## GROUP MANAGEMENT COMMITTEE



**A.R. Pandithage**  
Chairman/Managing Director



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



**S.C. Algama**  
Executive Director



**M.V. Bandara**  
Executive Director



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



**R.K.J. Gunasekera**  
General Manager – Business Development and 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**  
Chief Operating Officer - Mercedes Benz Vehicles



**A.N. Ranasinghe**  
Executive Director/Chief Marketing Officer



**M. Wickramasinghe**  
Chief Information Officer



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



**V. Wickramaratne**  
Chief Operating Officer - Retail

Sales and marketing	● ● ● ●
Engineering	● ● ●
Business development	● ● ●
Finance	● ● ●
Information technology	● ●
Law	●
Human resource management	●





# APPRAISING OUR STRATEGY

This section presents how DIMO leadership lines up strategies and resources to deliver value envisaged by the stated purpose.

- 16 Our Purpose and Corporate Strategy
- 18 Value Creation Model
- 20 Resource Allocation for Medium to Long Term Growth
- 21 Group Structure
- 22 Governance: Leading the way for Value Creation

# OUR PURPOSE AND CORPORATE STRATEGY



## Our purpose

### “Fuelling Dreams and Aspirations”

Our purpose mandates that we collaborate with stakeholders to deliver their dreams and aspirations and create value for the organisation in a responsible manner.



## Our core values

- ◉ Integrity
- ◉ People centricity
- ◉ Excellence
- ◉ Customer delight
- ◉ Accountability

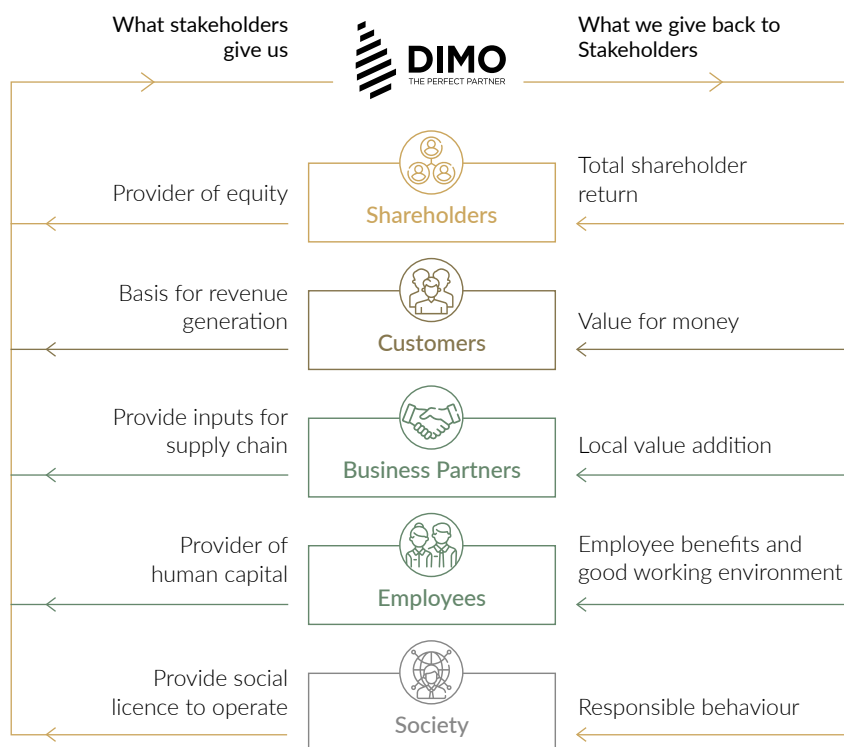


## Our brand promise

### “The Perfect Partner”

Strong partnerships have defined DIMO's journey throughout the last 8 decades. From 1939, we have continuously formed alliances with best in class principals, winning their trust by managing enduring relationships. In order to face future challenges, we wish to be perceived as the perfect partner to all our stakeholders, as we blaze trails within and outside of Sri Lanka.

## Our stakeholders, their importance to DIMO and their dependency on DIMO



### Quality of the relationship

- Relationship established; more engagement required to improve quality of relationship | ● A value-generating connection has been established but room for improvement  
 ● Good-quality, mutually beneficial relationship with some room for improvement | ● Strong relationship of mutual benefit

## Stakeholder engagement

DIMO's purpose is to "Fuel dreams and aspirations,"; therefore understanding the pulse of the stakeholder is an important aspect in developing strategy. DIMO's management employs stakeholder engagement as a strategic tool to gain insights into stakeholder expectations, interests, and preferences, which may influence the Company's future strategic direction.

The Sustainability Committee headed by the Chairman is entrusted with ascertaining stakeholder expectations, for which a stakeholder engagement process has been put in place. Details of how stakeholders are identified, categorised based on materiality, method and frequency of engagement, and the comprehensive list of their material issues are disclosed on our website <http://www.dimolanka.com/sustainability-performance/>.

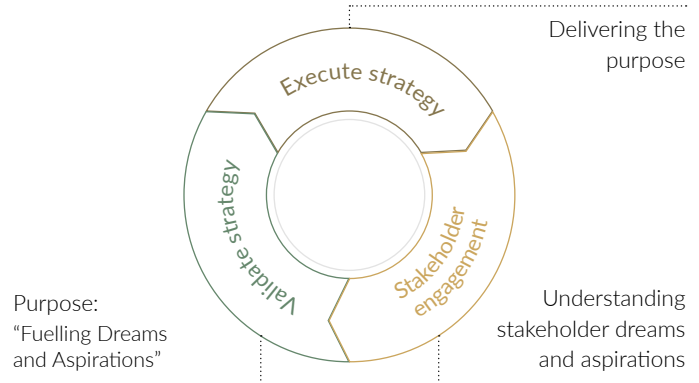
## DIMO's corporate strategy

Our overarching corporate strategy is formulated on the basis of our inherent strengths and the environment we share with our stakeholders, and is centred Diversification, Differentiation and Collaboration

Diversification ensures long term growth by expanding the business domains in which we operate. It expands the scope of our ability to fuel the dreams and aspirations of individuals.

Differentiation allows us to compete aggressively in our chosen business domains. Areas of differentiation are determined by the interests and preferences of our target customers.

Figure 01: Significance of stakeholder engagement for DIMO



Collaboration with employees and business partners is the source of DIMO's competitive advantage. It facilitates the perfect execution of our differentiation strategy.

These three components of strategy enable DIMO to fulfil its purpose of existence. These strategies are actioned through the corporate planning process which identifies key areas the Group should focus on for medium to long-term growth. The Group's performance management system, as well as accredited quality, environmental, and social accountability management systems, enable the corporate plan's goals to be cascaded to the operational level. The stakeholder engagement process keeps the strategy updated and current, so that the company remains competitive.

Figure 02: Three dimensions of DIMO's corporate strategy

### Collaboration

Collaborate with two key stakeholders to drive the differentiation strategy.

#### Collaboration with business partners

Strengthen the business partner network we have built over 80 years that provide access to the most advanced and innovative products and solutions.

#### Collaboration with employees

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

### Differentiation

Carefully designed value chain delivers differentiation through the following.

- Technological excellence
- Dependability
- Aftercare
- Customer primacy
- Market presence
- Responsible behaviour

### Diversification

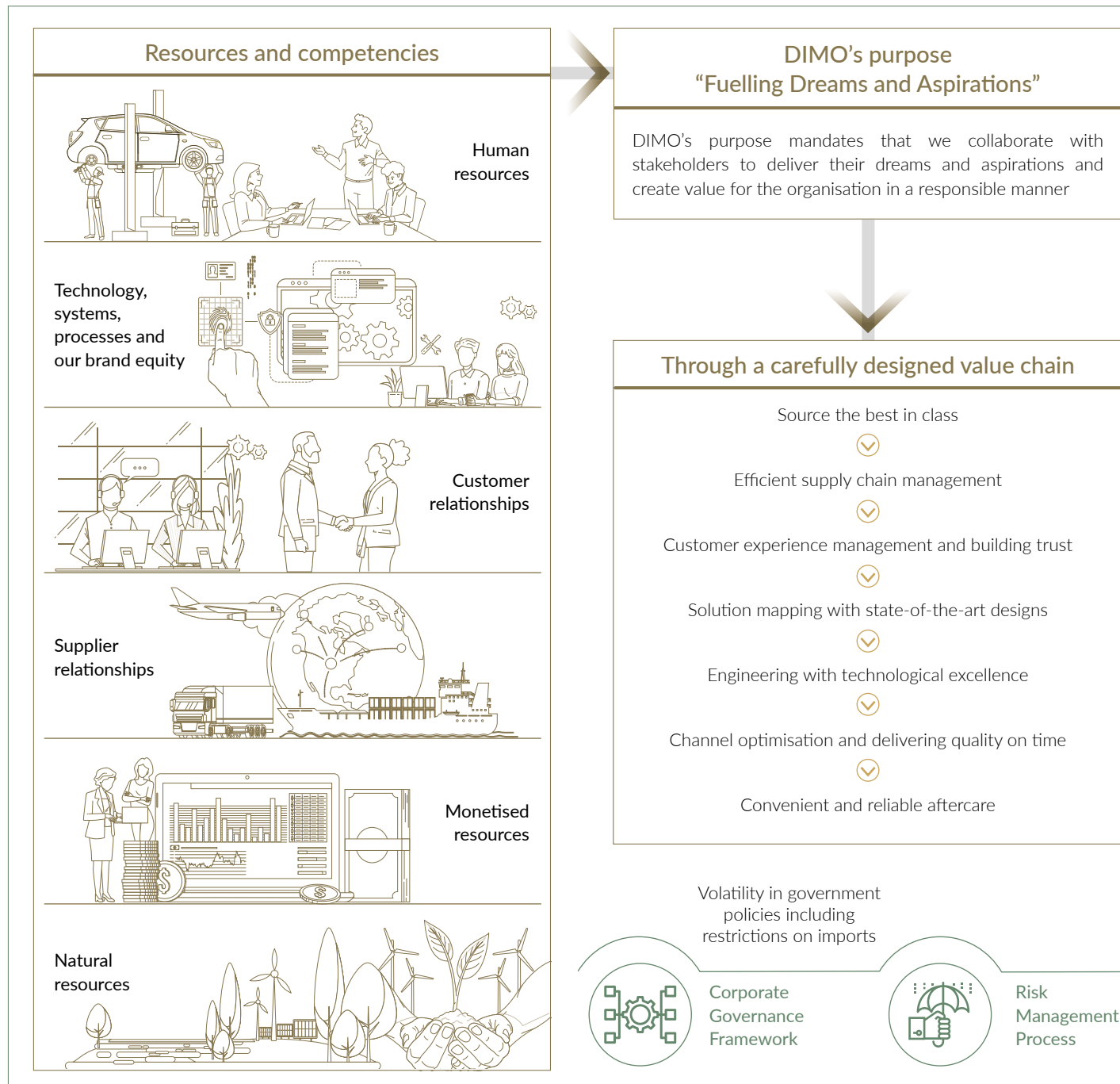
Our diversification strategy drives the selection of the business domains in which we choose to operate. A diversified portfolio fuels growth and reduces medium to long-term risk.

- Vehicle sales
- Vehicle - after services
- Marketing and distribution
- Construction and material handling equipment
- Agriculture
- Electro mechanical, bio-medical and marine engineering

# VALUE CREATION MODEL

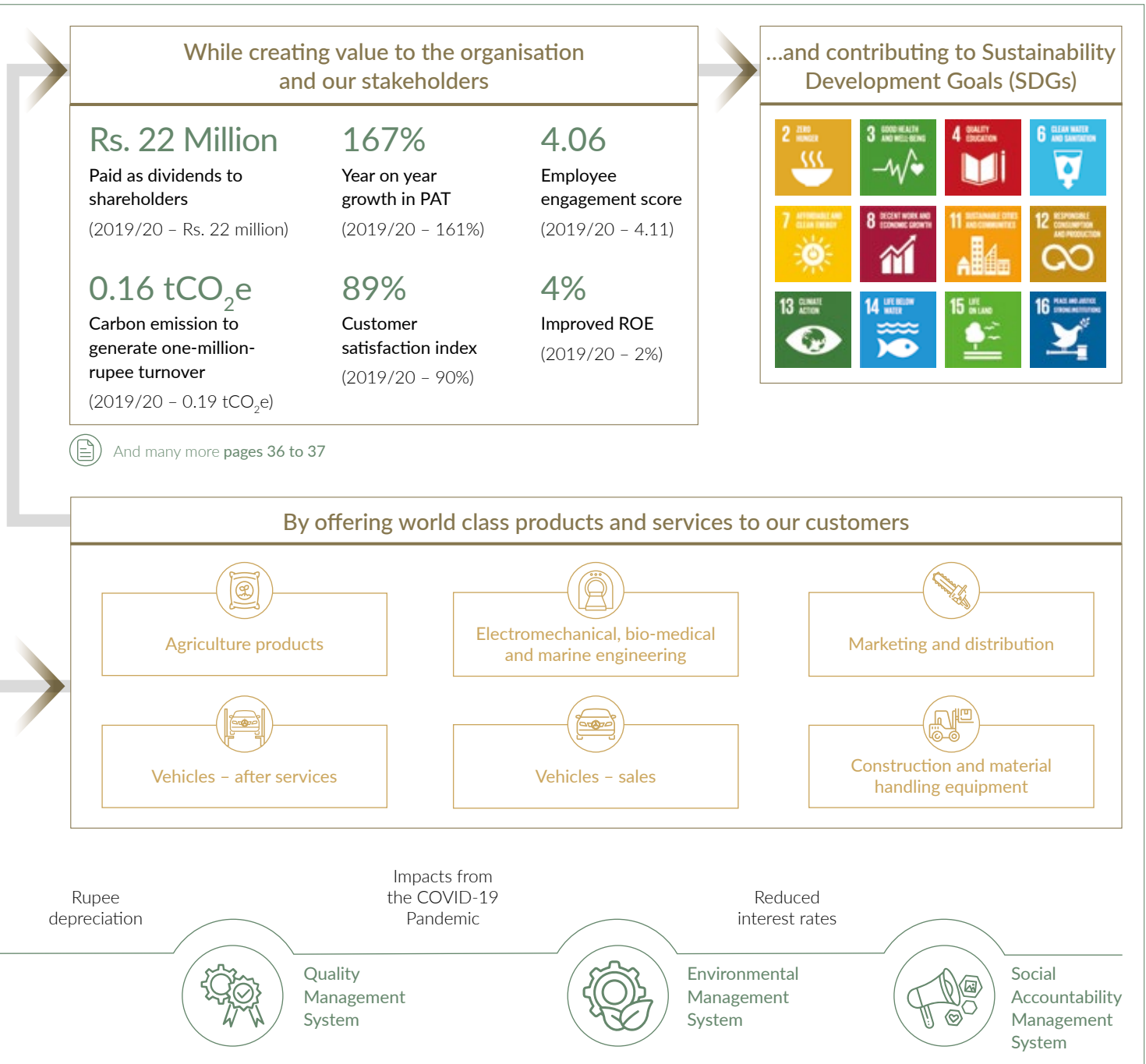
We carry out the mandate outlined in the corporate strategy by employing a well thought-out value creation model. This model depicts how we add value to the organisation, the stakeholders and the community through each activity we undertake, by leveraging our core strengths, expertise and resources.

These value creation activities are fuelled by inputs from various resources. The differentiation aspects depicted in our strategy are achieved through value chain activities such as sourcing, delivering, and aftercare. The outputs of these activities are the products and services of the six business segments in which we operate, which serve as the foundation for revenue generation.



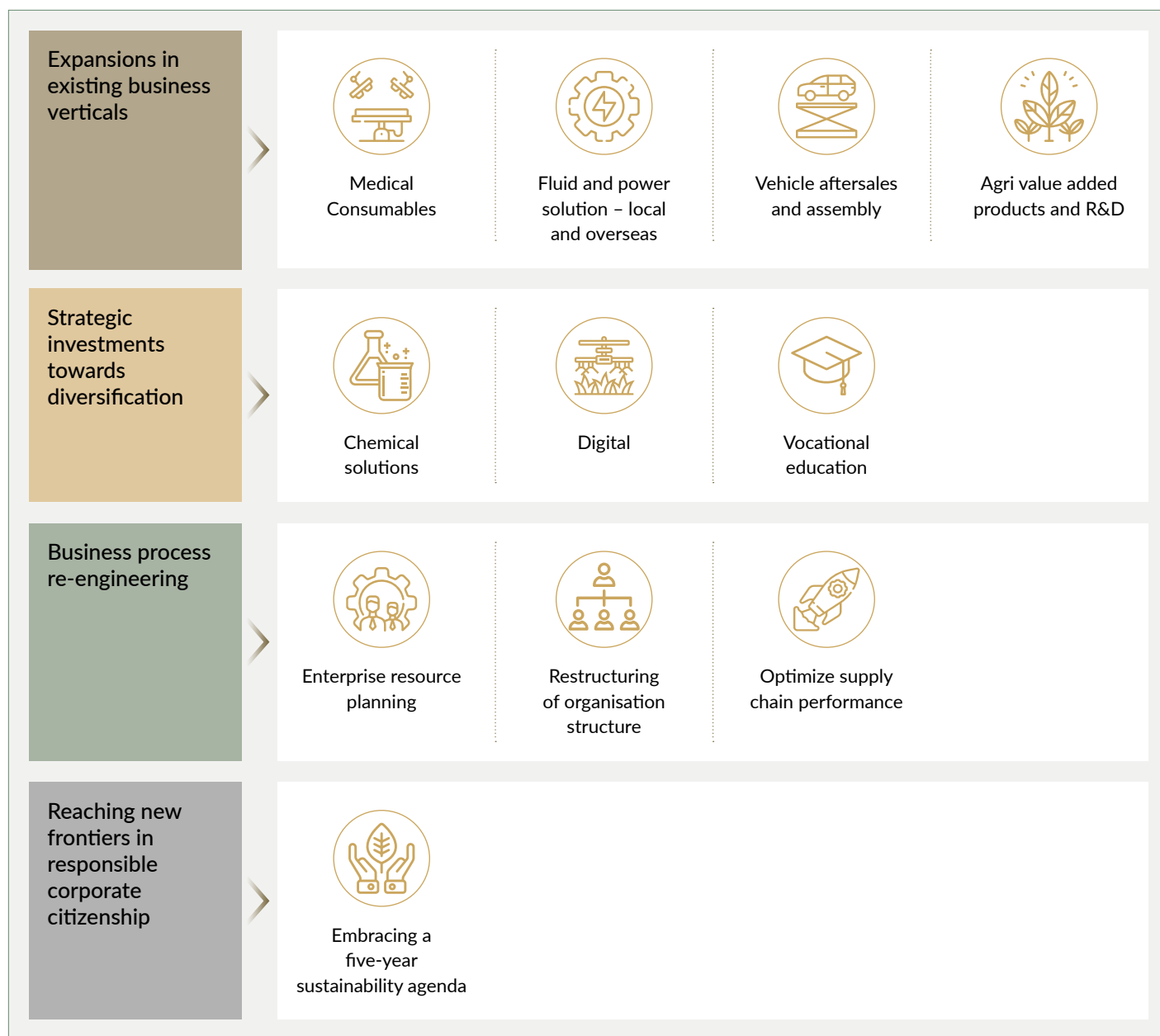
The Group has several systems and processes in place to ensure that value creation is aligned with the strategy and expected results. This critical mandate is enforced by the corporate governance framework, the management systems and the risk management process.

The value creation process results in the creation of value for the organisation, shareholders, and other stakeholders, and it transforms the company into a responsible corporate citizen, allowing DIMO to achieve its overall purpose of "Fuelling Dreams and Aspirations." The value created is reflected in the stock of resources, which are then redeployed to the process of creating value.



# RESOURCE ALLOCATION FOR MEDIUM TO LONG TERM GROWTH

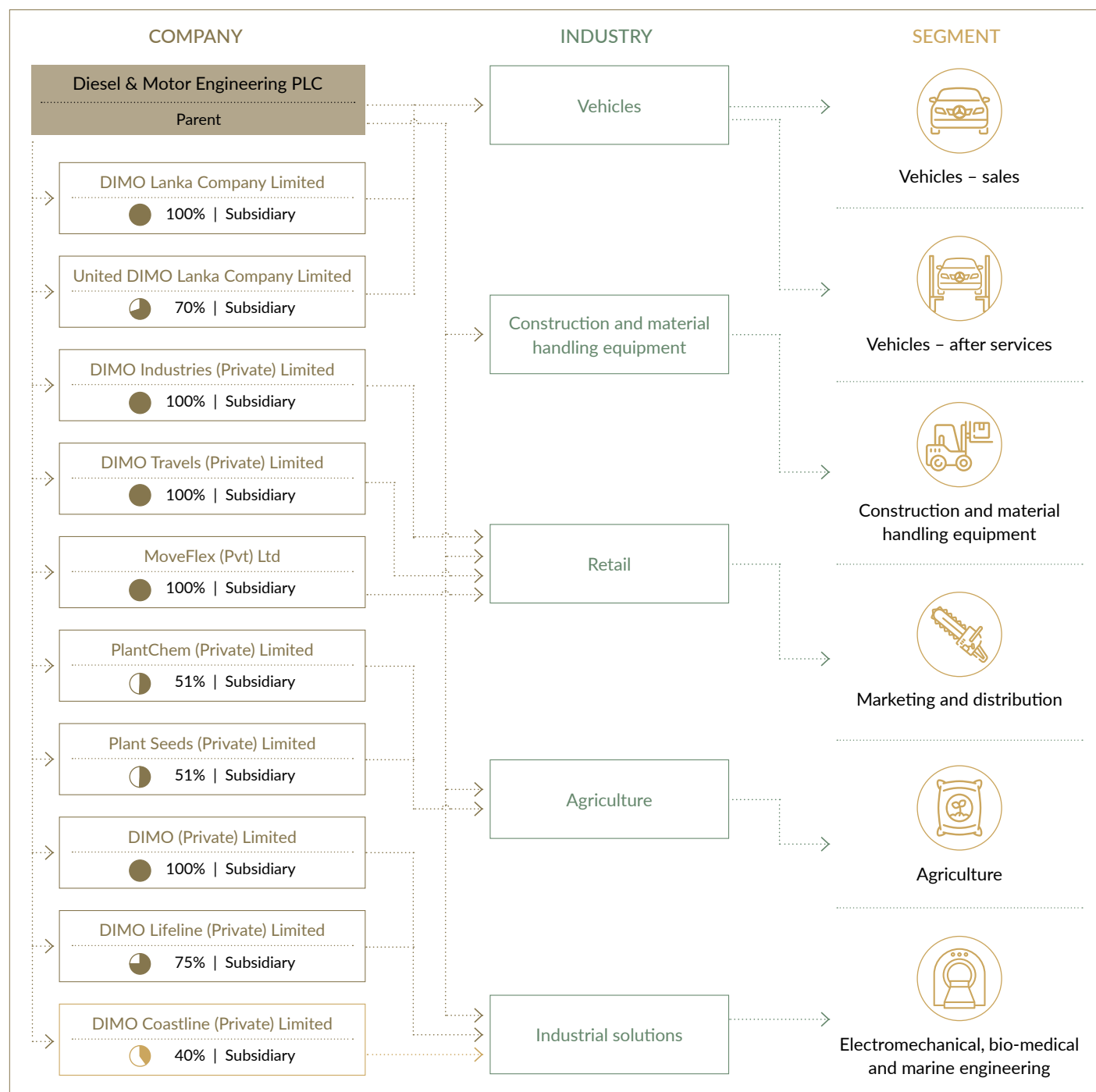
DIMO's corporate plan outlines the strategic direction of the Group over the next three years. The primary goal of this plan is to ensure the Group's medium to long-term growth while allocating resources as efficiently as possible. As per the corporate plan, the account below reflects those areas that will be prioritized for resource allocation in the coming years. These areas were all identified during extensive brainstorming sessions involving key management personnel and the Group Corporate Planning Division. The identified areas are expected to expand the level of diversification of the product portfolio, thereby reducing the high dependency on vehicles and other capital nature products.



# GROUP STRUCTURE

The Group structure is the mechanism through which we implement the business model. It reflects how every component of the Group works collectively to create value within any given business segment.

Figure 03: Group structure



 Names of the Directors of subsidiaries and the joint venture is disclosed on [page 153](#)

# GOVERNANCE: LEADING THE WAY FOR VALUE CREATION

**Enterprise Governance at DIMO is designed to navigate its operations through uncertainty to achieve long-term value and to enhance investor confidence. It is perceived as an uncompromising effort to promote continuous improvement, not as a set of controls that stifles sustainable growth.**

## ④ Principle A.1

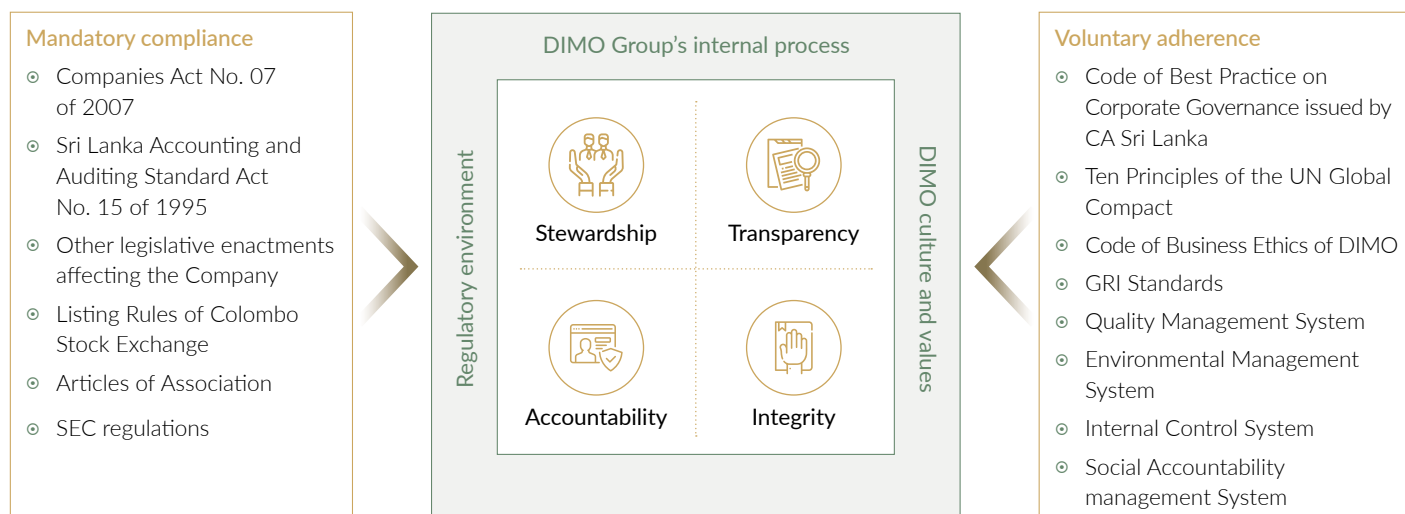
DIMO has long been committed to responsible and ethical business strategies geared to create sustainable value. In doing so, the Board accepts the position of ethical, transparent and accountable leadership by formulating the requisite strategies to direct the group to its desired aspiration. The Board perceives Good Governance as an uncompromising pursuit that delivers superior returns to all stakeholders.

**A framework that navigates our effort to perform and conform**

Enterprise Governance is at the heart of everything we do. Therefore stewardship, transparency, accountability and integrity are as key integral elements of our corporate philosophy.

The Group's compliance with relevant laws and regulations and industry standards provides the Board a solid foundation to be transparent in our practices and ethical in our operations. Notably, our governance framework allows DIMO to venture beyond mandatory compliance to expand conformance practices to different areas of the business thereby promoting responsible corporate behaviour, strengthening operations, addressing expectations of various stakeholder groups and eventually supporting sustained performance.

**Figure 04: Governance framework**



## Stewardship

The stewardship role bestowed upon the Board of Directors demands that the Board has in place the necessary mechanism and required processes to deliver short, medium and long term value to the Group.

## Our approach to stewardship

The stewardship role of the Board demands that we treat all our stakeholders fairly, strengthening stakeholder relationships, whilst creating value for the shareholders. Thus, the value creation process

will embed the facets that enables discharging of the stewardship role. This means that requirements of both conformance and performance will be present throughout the processes that drive value creation.

Principles identified in this report are the principles stated in the Code of Best Practice on Corporate Governance issued by CA Sri Lanka in 2017.





### Navigating value creation

Value is created when strategy, risks and performance are carefully integrated and appropriately balanced. At DIMO, the Board drives the value creation process through the effective management of capitals, value creation activities, impacts and risks, and by connecting all those elements to weave a strong value chain. The Board ensures that they act upon all relevant and material stakeholder interests.

### Managing risks

#### ② Principle A.1

The Board of Directors of DIMO holds prime responsibility to ensure that risks are identified and appropriately managed across the Group. The Board monitors and manages the risks associated with capitals, value creation activities, business segments and impacts.

 The detailed analysis of our risk management practices is available on pages 54 to 56

### MINDFUL GOVERNANCE DURING COVID-19 PANDEMIC



- ⦿ Health and safety was deemed an absolute necessity
- ⦿ Exercised mindful business judgement despite the uncertainty
- ⦿ While the near-term could not be ignored, focused on strengthening long-term success through the three year corporate plan and the risk management process, which included both strategic and business level risks
- ⦿ Promoted the importance of data and gave due importance to IT Infrastructure and Cyber security
- ⦿ Maintained Board effectiveness while adhering to the government's safety regulation
- ⦿ Prioritized the usage of financial resources.

### Accountability

#### Governance in action

Our governance structure depicts how the Board of Directors has structured the governance process to support its ability to create value, and to better discharge the responsibilities and accountability bestowed upon them.

At DIMO, primary authority for identifying, overseeing and evaluating economic concerns is vested with the Board of Directors. Board Committees serve as effective oversight mechanisms that assist the Board in monitoring the effectiveness of conformance and risk management.

Regular review and monitoring is delegated to the Group Management Committee (GMC). The GMC, together with the heads of business units, is responsible for implementing and monitoring the performance and conformance aspects of governance.

Figure 05: Governance structure

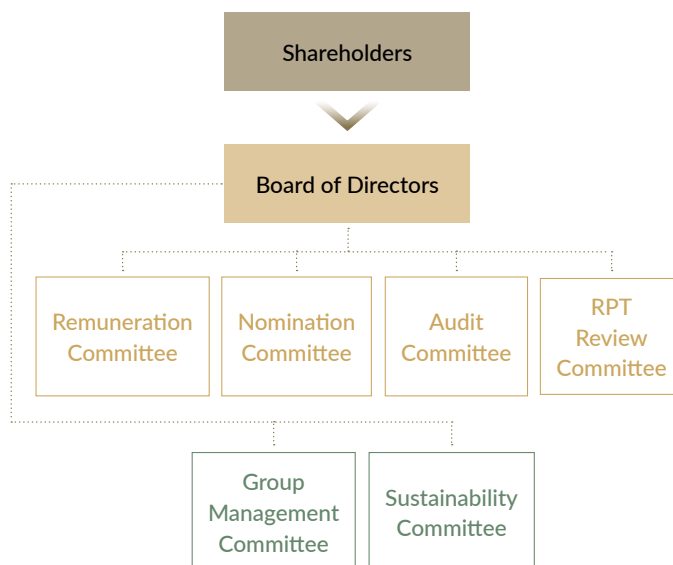
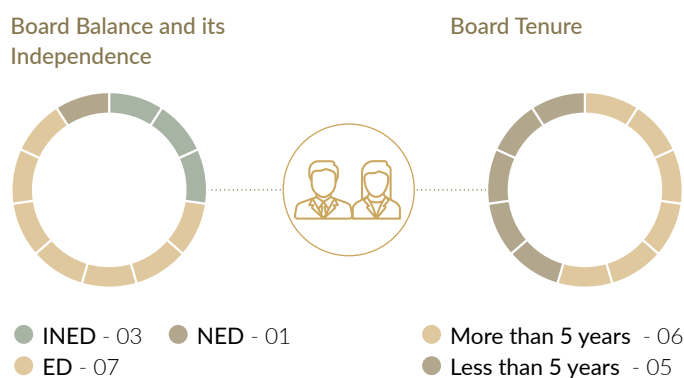


Figure 06: Board diversity



INED – Independent Non-Executive Directors  
 NED – Non- Executive Directors  
 ED – Executive Directors

### Board of Directors

The Board bears overall responsibility for enterprise governance and consequently, for conformance and performance.

## GOVERNANCE: LEADING THE WAY FOR VALUE CREATION

### Board balance and its independence

#### ⓧ Principle A.4, A.5, A.7 and A.10

The Board consisted of eleven members at the time of authorising this Annual Report. There was one new appointment and three retirements during the financial year, details of which are given in the Annual Report of the Board of Directors on page 65.

The Directors possess diverse skills and bring a wide range of expertise and competencies that 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, Information Technology and law.

The Board also enjoys the services of three 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.

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. Dr. H. Cabral, whose tenure as Director has exceeded nine years, continues to be considered an Independent Director. The required explanation is provided on page 66 in the Annual Report of the Board of Directors.

 Brief profiles of the members of the Board are given on pages 10 to 13

### Chairman in an executive capacity

#### ⓧ Principle A.2 and A.3

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

### Senior Independent Director

Mr. A. D. B. Talwatte functions as the Senior Independent Director of the company following the retirement of Mr. R. Seevaratnam on 31st July 2020. The presence of the Senior Independent Director provides an effective mechanism to review the effectiveness of the Board in view of the executive role played by the Chairman.

### Board proceedings

#### ⓧ Principle A. 1.1, A.1.6 and A.1.7

Meeting attendance of the Directors is one of indicators of Board effectiveness. As defined by charter, the Board always dedicates adequate time and effort to matters of the Board and the Group, to ensure that the duties and responsibilities owed to the Group are satisfactorily discharged. Table 01 sets out details of Directors' appointments and attendance at Board Meetings.

The agenda and all board papers are circulated electronically to Board members prior to the meeting. Minutes of discussions and decisions made at the meeting are maintained in an appropriate manner by the Company Secretary and circulated to the Board prior to the next meeting.

### Board performance and performance evaluation of executive Directors

#### ⓧ Principle A.9

The Board appraises its performance, annually. This appraisal process helps to ensure that the Board responsibilities are satisfactory discharged. It also helps to identify areas of improvement.

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

### Directors' remuneration

#### ⓧ Principle B.1, B.2 and B.3

The Executive Directors' remuneration is aligned to their performance. The Board always ensures that the level of remuneration is attractive enough to motivate and retain Executive Directors. The Remuneration Committee assists by suggesting and approving remuneration for Executive Directors. The report of the Remuneration Committee is presented on page 31.

Directors' remuneration is disclosed on page 95.

**Table 01: Directors' attendance at Board Meetings**

Board Member	Appointment to the Board		Position	Attendance at meetings
	First	Re-election/ Re-appointment		
A. R. Pandithage	Jun-77	Jun-20	Chairman/Managing Director	8/8
A. G. Pandithage	Dec-95	Jun-18	CEO /Director	8/8
A. N. Algama	Nov-84	Jun-20	Executive Director	6/7*
S. C. Algama	Nov-84	Jun-20	Executive Director	8/8
M. V. Bandara	Jun-16	Jun-19	Executive Director	8/8
Dr. H. Cabral	Oct-06	Jun-20	Independent Non-Executive Director	7/8
B.C.A.S.P. Gooneratne	Apr-06	Jun-19	Director/Chief Financial Officer	8/8
P.K.W. Mahendra	Jun-16	Jun-20	Executive Director	8/8
A.M. Pandithage	Sep-82	Jun-18	Non-Executive Director	8/8
A.N. Ranasinghe	July-17	Jun-18	Executive Director/Chief Marketing Officer	8/8
S.R.W.M.C. Ranawana	Jun-16	Jun-20	Executive Director	8/8
R. Seevaratnam	Jan-07	Jun-20	Senior Independent Director	2/2**
J. M. De Silva	Aug-20	N/A	Independent Non-Executive Director	6/6***
A.D.B. Talwatte	Jun-16	Jun-20	Independent Non-Executive Director, Senior Independent Director w.e.f 01st August 2020	8/8

\* Mr. A. N. Algama retired from the Board on 08th March 2021

\*\* Mr. R. Seevarathnam retired from the Board on 31st July 2020

\*\*\* Mr. J. M. De Silva was appointed to the Board on 01st August 2020

**Table 02: Composition 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
29/05/2020	109	09	01	03	13
30/07/2020	62	09	01	03	13
12/08/2020	13	09	01	03	13
19/08/2020	07	08	01	02	11
12/11/2020	85	09	01	03	13
02/02/2021	82	09	01	03	13
11/02/2021	09	09	01	03	13
20/03/2021	37	08	01	03	12

## GOVERNANCE: LEADING THE WAY FOR VALUE CREATION

### Board committees

#### ① Principle A.7.1, D.3 and D.4

Board Committees consist of the Audit Committee, Remuneration Committee, Nomination Committee and the Related Party Transaction Review Committee. The presence of Board Committees chaired by Independent Non-Executive Directors further strengthens good governance and serves as an effective oversight mechanism over several activities of the Company.

During the year, the Board Committees saw several new appointments and a change in the Chair of the Related Party Transactions Review Committee. Details of these changes are provided in the Annual Report of the Board of Directors on page 66.

The composition of the respective Board Committees is detailed on pages 30, 31, 32 and 33.

The reports of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review Committee are available on pages 29 to 33.

### Management committees

The Group Management Committee (GMC) is a management committee appointed by the Board in order to execute the performance and conformance aspects of Enterprise Governance. The GMC consists of Executive Directors and members of the senior management team. The composition of the Group Management Committee is available on page 14.

The Sustainability Committee is a management committee consisting of members of the management team including Executive Directors. It holds primary responsibility to oversee the Group's activities with regard to the identification and management of economic, social and environmental impacts, and the achievement of sustainability objectives.

### Transparency

DIMO's governance practices are based on our corporate philosophy of achieving sustainable value. The Board discharges its role of transparency through the identified compliance framework and the assurances obtained. While being fully compliant with the laws and regulations relating to corporate governance, the Company recognises that best practices provide a robust framework for sustainable growth and meeting stakeholder expectations.

### Compliance and adherence

The Compliance and Adherence aspect of the conformance framework provides the basis for conformance and identifies the rules that are to be followed by the Board, Board Committees, Management Committees and employees. As identified in the governance framework, the Compliance and Adherence aspects include statutes

and regulations classified into the "mandatory compliance" category and codes, best practices and management and control systems classified into the "voluntary adherence" category.

### STATEMENT OF RESPONSIBILITY



The Statement of Directors' Responsibility for Financial Statements setting out the Directors' responsibility in preparing and presenting the 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 71.

The responsibility Statement of the Chairman, Chief Executive Officer and Chief Financial Officer recommended by section four of Guidelines for Appointment of Auditors of Listed Companies, issued by Securities and Exchange Commission in 2008, is available on page 34.

### Mandatory compliance

The Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 are two key legislative enactments, among many others, with which the Company is compliant.

The Company is also compliant with the regulations issued by the Securities and Exchange Commission and the Listing Rules of the Colombo Stock Exchange



Disclosures required by the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange can be viewed on page 142

### 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 Annual Report for the year ended 31st March 2021 has been circulated to shareholders and submitted to the Colombo Stock Exchange within three months from 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 of land being substantially different from the market value of land of the Company and/or its subsidiaries.

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

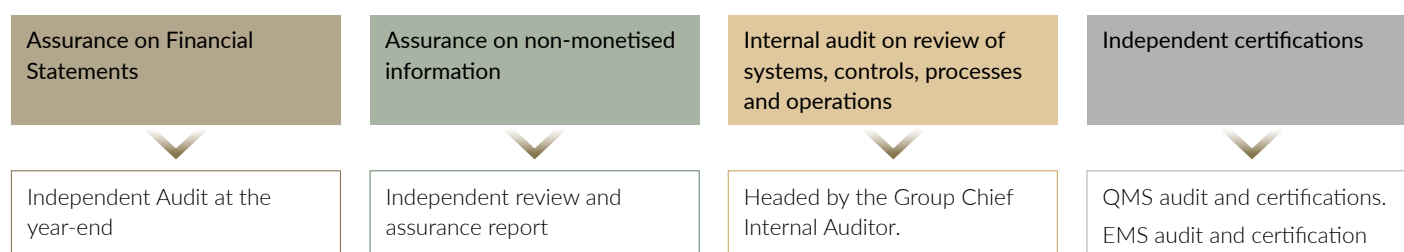
Disclosures specified by section 9.3.2 of Listing Rules of the Colombo Stock Exchange are contained in this Annual Report. Please refer page 32 for the Related Party Transaction Review Committee Report and page 67 in the Annual Report of the Board of Directors.

### Voluntary Adherence

While mandatory compliance provides the “base”, voluntary adherence strengthens the conformance aspect of Enterprise Governance. The levels of compliance and adherence to various requirements are available on the Group’s corporate website at <https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf> and form a part of this Enterprise Governance section.

### Assurance and certification

Independent assurance, independent review, oversight and independent certification are key sources of assurance and comfort with regard to integrity and due functioning of the enterprise governance framework. These sources of assurance and comfort are depicted as below;



### Integrity

#### ② Principle D.5

At DIMO, we have institutionalised ethical behaviour in our every endeavour through the Code of Business Ethics, which 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 system, environmental management system, social accountability management system, and performance management systems further ensure that all value creation activities are conducted responsibly.

All employees are expected to preserve corporate values and respect the code of business ethics in achieving their own objectives set by the management and in achieving the objectives of the company.

### Securing stakeholder interest

The stewardship role played by the Directors demands that they act responsibly towards stakeholders, to secure their interests. The Group Sustainability Committee is entrusted to put this mandate in to practice. Stakeholder engagement is discussed in greater detail on pages 16 to 17.

### Crafting an innovative culture

The Board firmly believes that a company may grow to its full potential only through constant innovation; therefore it places high value on innovation and is in relentless pursuit of it. Our good governance practices thereby craft a corporate culture that promotes uninterrupted innovation.


We always ensure that our customers have access to the best products and best after-sales services, and that our employees have access to the latest technologies.

### Governance on information and technology

The Board shoulders overall responsibility for aligning the Group’s Information and Technology (IT) practices with existing and future business needs.

Technology, being a key part of DIMO’s differentiation strategy, the Board is committed to fostering technology that enhances customer experience, which will secure longer term relationships between the Group and its valued customers.

 Refer pages 16 to 17 for the stakeholder engagement process

 The compliance levels with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka are available on Company’s website at <https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf> and forms a part of this Enterprise Governance section.

## GOVERNANCE: LEADING THE WAY FOR VALUE CREATION

### 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) should be appointed in the event that 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 the principles of good governance and always strives to live by the Best Practices of Corporate Governance. The conformance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence, in order to enhance stakeholder acceptance and to have a positive impact on value creation.

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



**Mr. A. D. B. Talwatte**

Senior Independent Director

Colombo  
28th May 2021

## REPORT OF THE AUDIT COMMITTEE



**Mr. A.D.B. Talwatte**  
Chairman – Audit Committee

Dear shareholder,

I am pleased to present the report of the Audit Committee for the year ended 31st March 2021. Through this report, I will share with you 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.

**Figure 07: Duties and responsibilities of the audit committee**



### Financial reporting

The Audit Committee reviewed the Interim Financial Statements of all Four quarters and the Annual Financial Statements for the year ended 31st March 2021 prior to their publication.

The review included;

- ◉ Appropriateness and changes in Accounting Policies, and development in the financial reporting framework (SLFRSs/LKASs)
- ◉ Significant estimates and judgement made by the management
- ◉ Adequacy and effectiveness of internal control systems, financial reporting systems and processes in place to ensure accuracy and reliability of the information provided in the Financial Statements.
- ◉ Compliance with relevant Accounting Standards and applicable regulatory requirements
- ◉ Issues arising from Internal Audit and Independent External Audit

- ◉ Disclosure requirements and other applicable accounting and financial reporting requirements prescribed in the Companies Act, No. 07 of 2007, Listing rules and amendments thereto, etc.
- ◉ 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 Committee monitors the effectiveness of the internal audit function and is responsible to ensure the effectiveness of the internal control systems of the Group. The Group's Internal Audit function is headed by the Group Chief Internal Auditor. The 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 and its coverage
- ◉ 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 concurs with the annual compensation.

The Committee ensured that the internal audit function is independent of the activities it audited and that the audits was performed with impartiality, proficiency and due professional care.

### Risk management and internal controls

The Audit Committee plays an important role in ensuring that controls are in place to mitigate key risks arising from day to day business operations. The Group's Risk Management practices are discussed from pages 54 to 56.

The Committee engages in monitoring and evaluating the effectiveness of the internal control environment of the Group/Company. The evaluation is mainly done through discussions and assessment of reports submitted by the Management and Internal/External Auditors.

The Committee is satisfied that an effective system of internal controls is in place to provide reasonable assurance on safeguarding the Group's/Company's assets and reliability of Financial Statements.

### External audit

The Audit Committee assists the Board in assessing the independence and evaluating the performance of the External Auditors and in making recommendations for the engagement of the Auditors.

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 the observations made by them.

The Committee has received a declaration from the External Auditors, confirming that they do not have any relationships or interest in the

# GOVERNANCE: LEADING THE WAY FOR VALUE CREATION

## REPORT OF THE AUDIT COMMITTEE

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 appointed as the external auditors of the Company and continue to hold that position at present. A partner rotation of the auditors takes place at periodic intervals and last rotation took place in 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 have been duly complied with and the statutory payments have been made on a timely basis.

The orientation programme for new employees includes training on compliance with the Group's code of business ethics and a declaration that they will abide by the code.

### 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) with the Chief Human Resources Officer, the Group Chief Internal Auditor, the 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 2021, comprised of the following members;

Name	Category	MA
A.D.B. Talwatte	INED	4/4
Dr. H. Cabral	INED	4/4
Mr. J. M. De Silva (Appointed on 01st August 2020)	INED	3/3
A.M. Pandithage	NED	4/4

INED – Independent Non-Executive Director

NED – Non-Executive Director

MA – Meeting Attendance

- ◉ All members are Independent Non-Executive Directors, with one exception where the said person is a Non-Executive Director. One member has significant, recent and relevant financial management and accounting experience and a professional accounting qualification.
- ◉ The Chairman, CEO and the CFO are permanent invitees for all Committee meetings.
- ◉ The Group Chief Financial Officer is the Secretary of the Committee.

Mr. R. Seevaratnam, who was a member of the Audit Committee as at 31st March 2020, had retired from the Board w.e.f. 31st July 2020 and ceased to be a member of the Committee from that date. Mr. J. M. De Silva was appointed to the Committee on 01st August 2020.

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;

29 <sup>th</sup> May 2020	12 <sup>th</sup> Aug 2020	12 <sup>th</sup> Nov 2020	11 <sup>th</sup> Feb 2021
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### 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 66 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  
28th May 2021



## 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 2021. Through this report I will share with you how the Remuneration Committee worked towards discharging its responsibilities.

### Purpose of the committee

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

### Terms of reference

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

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

The proposals relating to the remuneration of Executive Directors and the members of the Group Management Committee were devised 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 pay. 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 benefits	

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 2021, comprised of the following members;

Name	Category	MA
Dr. H. Cabral	INED	1/1
Mr. J. M. De Silva (Appointed on 01st August 2020)	INED	N/A
Mr. A. D. B. Talwatte	INED	1/1
Mr. A.M. Pandithage	NED	1/1

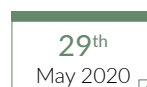
INED – Independent Non-Executive Director

NED - Non-Executive Director

MA – Meeting Attendance

Mr. R. Seevaratnam, who was a member of the Remuneration Committee as at 31st March 2020, from the Board w.e.f. 31st July 2020 and ceased to be a member of the Committee from that date. Mr. J. M. De Silva was appointed to the Committee on 01st August 2020. The Committee's composition met the requirements of rule 7.10.5 of Listing Rules of the Colombo Stock Exchange.

### Meetings



The Committee held one meeting during the financial year and covered the 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 95.

### 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 66 in the Annual Report of the Board of Directors.

**Dr. H. Cabral**  
Chairman - Remuneration Committee

Colombo  
28th May 2021

# GOVERNANCE: LEADING THE WAY FOR VALUE CREATION

## REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE



**Mr. J. M. De Silva**  
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 2021. Through this report I will share with you how the Related Party Transactions Review Committee worked towards discharging its responsibilities.

### Purpose of the committee

The Committee was established to advise the Board with regard to transactions with 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 identified in accordance with the requirements stipulated by the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka, 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 2021, comprised of the following members;

Name	Category	MA
Mr. J. M. De Silva (Appointed on 01st August 2020)	INED	3/3
Dr. H. Cabral	INED	4/4

Name	Category	MA
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

Mr. R. Seevaratnam, who was a member and Chairman of the Related Party Transactions Review Committee as at 31st March 2020, retired from the Board w.e.f. 31st July 2020 and ceased to be a member of the Committee from that date. Mr. J. M. De Silva was appointed to the Committee on 01st August 2020 and was appointed as a Chairman of the Committee from that date.

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

### Meetings

The Committee held four meetings during the financial year;

29 <sup>th</sup> May 2020	12 <sup>th</sup> Aug 2020	12 <sup>th</sup> Nov 2020	11 <sup>th</sup> Feb 2021
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### Related party transactions during the year

The Committee reviewed all related party transactions carried out during the year at its quarterly meetings. The observations of the Committee are communicated to the Board of Directors.

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

### 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 66 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 page 67 as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered into by the Company during the year.

**Mr. J. M. De Silva**  
Chairman - Related Party Transactions Review Committee

Colombo  
28th May 2021

## 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 2021. Through this report I will share with you how the Nomination Committee worked towards discharging its duties and 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.

The Committee has acted within the parameters set by its terms of reference including the 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
- Consider and recommend the re-election of a Non-executive Director eligible for re-election by taking into account the Company's Policies and applicable laws or their re-appointment at the end of the specified term.
- That no member of the Nomination Committee is involved in deciding his own appointment
- Make any recommendations on any other matter/s referred to the Committee by the Board of Directors.

**Figure 08: Matters reviewed by the committee during the year**

Board and Committee Composition	Appointment of new Independent Non- Executive Directors
Succession planning	Matters relating to Corporate governance

The Committee takes into consideration aspects such as qualifications, competencies, independence, relationships which have the potential to give rise to conflict vis-à-vis the business of the company, etc, when nominations are given to the Board for the appointment of Directors. During the year, the Committee recommended that one Independent Non-Executive Director be appointed to the Board following the retirement of Mr. R. Seevaratnam. The details of the appointment are available in the Annual Report of the Board of Directors on page 65.

### Directors' area of expertise

Engineering	● ● ●	Information technology	● ●
Business leadership	● ● ●	Sales and marketing	● ●
Finance	● ● ●	Law	●

● Indicates number of directors with relevant expertise

### Members

The Committee, as at 31st March 2021, comprised of the following members;

Name	Category	MA
Dr. H. Cabral	INED	1/1
Mr. A. D. B. Talwatte	INED	1/1
Mr. J. M. De Silva	INED	N/A
(Appointed on 01st August 2020)		
Mr. A.M. Pandithage	NED	1/1
Mr. A.R. Pandithage	The Chairman/ MD	1/1

INED – Independent Non-Executive Director

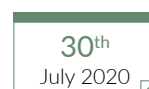
NED – Non-Executive Director

MD – Managing Director

MA – Meeting Attendance

Mr. R. Seevaratnam, who was a member of the Nomination Committee as at 31st March 2020, retired from the Board w.e.f. 31st July 2020 and ceased to be a member of the Nomination Committee from that date. Mr. J. M. De Silva was appointed to the Committee on 01st August 2020.

### Meetings



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 66 in the Annual Report of the Board of Directors.

**Dr. H. Cabral**  
Chairman - Nomination Committee

Colombo  
28th May 2021

## GOVERNANCE: LEADING THE WAY FOR VALUE CREATION

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

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

We confirm that the Financial Statements of Diesel and Motor Engineering PLC and Consolidated Financial Statements of the Group as at 31st March 2021 are prepared and presented in accordance with the requirements of the following:

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (SLFRs/LKASs),
- Companies Act No. 07 of 2007,
- Listing Rules of the Colombo Stock Exchange, and
- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

We also confirm that the accounting policies used in preparation of the Consolidated Financial Statements are appropriate and consistently applied, unless otherwise stated in the Notes accompanying the Financial Statements. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Significant Accounting Policies and estimates that 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 to install a system of internal control and accounting records to safeguard assets and to prevent and detect fraud as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis.

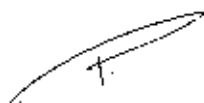
The Group Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Messrs KPMG, Chartered Accountants, Independent External Auditors. Their report is given on pages from 72 to 75 of the Annual Report. The Auditor's Reports on the Integrated Report and the Sustainability Information are available on page 60 to 61 and 143 to 144.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent External Auditors to review the manner in which these Auditors perform their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the Independent External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

#### Conclusion

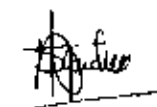
We confirm that we have discharged our responsibilities in maintaining proper financial records and preparing financial statements in accordance with SLFRs and LKASs. To the best of our knowledge, we also confirm that procedures for managing risks and internal control was operating effectively during 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

Colombo  
28th May 2021



# REVIEWING OUR OPERATIONS

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

- 36 An Account of Value Delivered
- 38 Reflecting on the Business Segments
- 44 Overview of the Operating Context

# AN ACCOUNT OF VALUE DELIVERED

In order to achieve our purpose “Fuelling Dreams and Aspirations” our three-dimensional strategy should deliver three broad goals; creating value to the shareholder and other stakeholders, creating value to the organisation and being a responsible corporate citizen. Below is an account of how the Group performed under each goal.

Stock of value	Value created to the organisation	Value created for shareholders and other stakeholders
<b>Monetised resources</b>	<ul style="list-style-type: none"> <li>Profit after tax Rs. 536 million (2019/20 – Rs. 201 million).</li> <li>Improved gross profit margin to 24% from 21% last year</li> <li>ROE 4% (2019/20 - 2%).</li> </ul>	<ul style="list-style-type: none"> <li>Net asset per share Rs. 1,638 (2019/20 – Rs. 1,350)</li> <li>Earnings per share Rs. 52.72 (2019/20 – Rs. 21.12)</li> <li>Dividend per share Rs. 2.50 (2019/20 – Rs. 2.50)</li> </ul>
<b>Relationships with customers and business partners</b>	<ul style="list-style-type: none"> <li>Formed new relationships with 05 principles, raising the total number of foreign partnerships to 86.</li> <li>Real time virtual engagement through 19 digital assets in social media including Facebook, Instagram, LinkedIn and YouTube which facilitates engagement with over 15,000 users monthly.</li> </ul>	<ul style="list-style-type: none"> <li>Average customer satisfaction index recorded at 89% (2019/20 – 90%).</li> <li>Monetised value distributed to suppliers (both local and foreign) as cost of material and services was Rs. 23,449 million (2019/20 – Rs. 22,558 million).</li> </ul>
<b>Human resources</b>	<ul style="list-style-type: none"> <li>Employee engagement score for the year is 4.06 (2019/20 – 4.11).</li> <li>16,034 training hours were provided through 131 training programs.</li> <li>236 high potential employees were trained through 16 training programs</li> </ul>	<ul style="list-style-type: none"> <li>Rs. 3,479 million monetised resources distributed as employee benefits (2019/20 - Rs. 3,520 million)</li> <li>Provided job opportunities through 174 new recruitments during the year.</li> </ul>
<b>Technology, systems, processes and our brand equity</b>	<ul style="list-style-type: none"> <li>Being recognised as a Great Place to Work for the 8th consecutive year by Great Place To Work Institute Sri Lanka.</li> <li>DIMO was recognised as a ‘Healthiest Workplace 2020’ in the large organisation category by the AIA Vitality Study.</li> <li>In the process of transforming to a best in class Tier-1 Enterprise Resource Planning system.</li> <li>Being recognised as the “Overall Winner” for the 6th consecutive year for Integrated Reporting by CMA Excellence at the Integrated Reporting Awards 2020.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous improvements of processes and systems enhancing customer experience, employee working conditions and shareholder value creation.</li> </ul>
<b>Inputs that are scarce or manufactured using scarce natural resources</b>	<ul style="list-style-type: none"> <li>State of the art water recycling plants supplied 5,049 m3 of water to the annual consumption (2019/20 – 8,616 m3).</li> <li>Solar panels in our own premises; Weliweriya, DIMO 800 and Siyambalape and in Embilipitiya together generated 2,981,823 KWh renewable energy to the national grid during the year.</li> </ul>	<p>Our products help preserve natural resources and facilitate sustainable development. Some examples are;</p> <ul style="list-style-type: none"> <li>Energy efficient lighting solutions</li> <li>Hybrid excavators</li> <li>Partnering in renewable energy solutions such as “Tambapawani”, the Sri Lanka’s first government owned wind power generation plant in Mannar</li> </ul>

### Being a responsible corporate citizen

- ◉ Total monetised value created: Rs. 7,488 million (2019/20 – Rs. 12,158 million).
- ◉ Tax and tariff paid to the government: Rs. 2,208 million (2019/20 – Rs. 6,510 million).
- ◉ Rs. 45 million voluntary investments in sustainable development (2019/20 – Rs. 74 million).

- Our ISO 9001:2015 accredited Quality Management System ensured that we;
- ◉ Complied with all customer safety standards and conducted business according to the Group code of ethics.
  - ◉ Adhered to ethical marketing practices.

- ◉ Our labour practices are governed by DIMO's Social Accountability Management System, which ensures 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.
- ◉ No non-compliances reported in terms of applicable labour regulations.

- ◉ Our state-of-the-art technology, systems and processes increase the efficient use of energy, water and other material and thereby help the company to preserve scarce natural resources.
- ◉ The governance structure of the Group ensures that we comply with all applicable rules and regulations.

- ◉ Maintaining an ISO 14001:2015 accredited environmental management system.
- ◉ Carbon emission to generate one-million-rupee turnover is 0.16 tCo2e (2019/20 – 0.19 tCo2e).
- ◉ Waste segregated and handed over to selected third parties for recycling/reuse is 444,679 kg (2019/20 – 555,312 Kg).
- ◉ Responsible discharge of waste water used in vehicle services.

### Contribution to Sustainable Development Goals (SDGs)

Monetised value created helps economic growth. Responsible consumption and voluntary investments in sustainable development seek social and environmental sustainability.



Our products and services help customers to contribute to the SDGs shown below:



Our labour practices are ethical and are governed by a social accountability management system. This helps create a peaceful institution with no corruption and a decent working environment.



Our processes help to make DIMO an institution that is peaceful and just, while ensuring the responsible consumption of resources.



Our responsible actions relating to scarce resources ensure environmental sustainability.

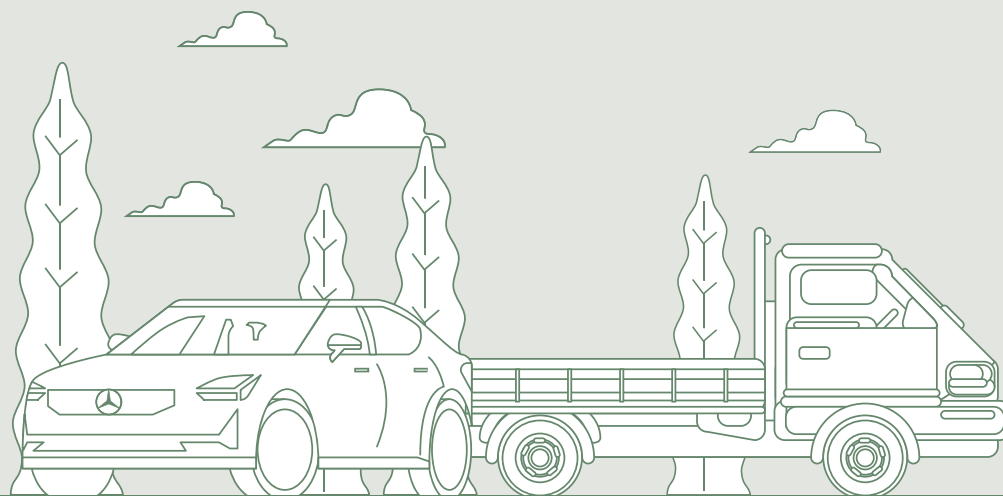




# REFLECTING ON THE BUSINESS SEGMENTS

## VEHICLE SALES

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



Jeep

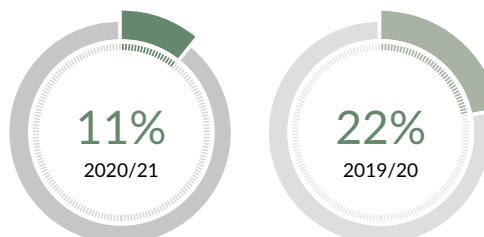


TATA MOTORS  
Connecting Aspirations



This was one of the toughest years for the segment with a nation-wide decline of 45% in new registrations of motor vehicles during 2020/21 due to government restrictions on imports of motor vehicles. This also prevented the new models of our flagship brands being introduced in Sri Lanka. Overall, the year concluded with a 53% reduction in revenue and segment results by 48%. Sales of Mercedes vehicles imported up to the time of the import ban in May 2020 and pre-owned DIMO certified vehicle sales were the main contributors to the segment.

### Contribution to Group's segment results



### Segment performance highlights

#### REVENUE

**Rs. 6,439 Million**  
(2019/20 – Rs. 13,783 Million)

#### CUSTOMER SATISFACTION INDEX

**93%**  
(2019/20 – 91%)

#### WATER CONSUMPTION\*

**1.44 m<sup>3</sup>**  
(2019/20 – 1.31 m<sup>3</sup>)

#### RESULTS

**Rs. 340 Million**  
(2019/20 – Rs. 659 Million)

#### CARBON EMISSION\*

**0.09 tCO<sub>2</sub>e**  
(2019/20 – 0.11 tCO<sub>2</sub>e)

#### ENERGY CONSUMPTION\*

**1.11 GJ**  
(2019/20 – 1.19 GJ)

### Key highlights during the year

- Re-launching DIMO Premier pre-owned vehicle operation under the new name 'DIMO CERTIFIED'
- Improved customer experience by venturing out into digital channels with the launch of the [www.carsatdimol.lk](http://www.carsatdimol.lk) website.
- Resource re-allocation for cost optimisation

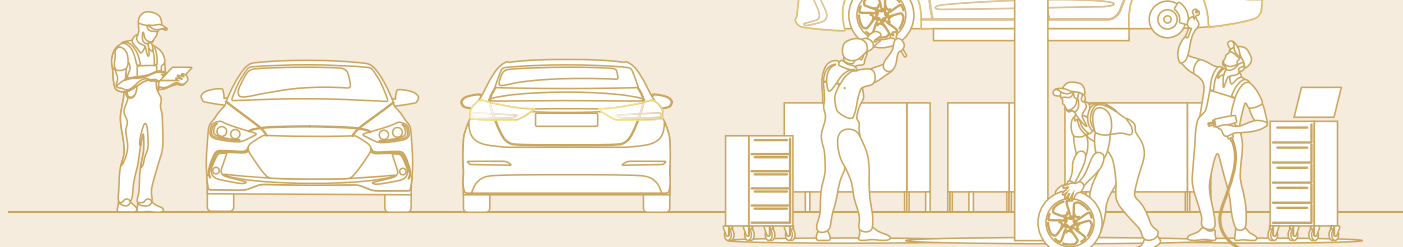
### Key focus areas for next year

- Vehicle assembly operation on semi knock-down basis
- Resource re-allocation for cost optimisation
- Optimise sales channels

\*to generate one-million-rupee turnover

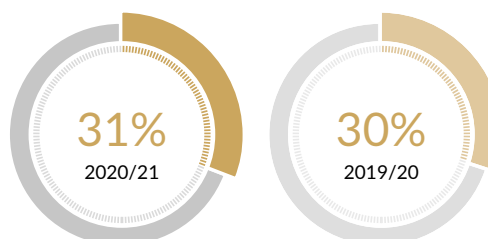
## VEHICLE – AFTER SERVICES

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



Passenger kilometre range of private transportation in the country dropped by 66% while the public transportation of the same declined by 32%, due to mobility restrictions during 2020/21. While the revenue from workshops reflects a reduction in revenue, reflecting the drop in vehicle running, the revenue from vehicle parts business recorded a 26% increase. Eventually, the segment's profitability level exceeded the business plan with an increase in segment revenue by 5% and segment results by 11%.

### Contribution to Group's segment results



### Segment performance highlights

#### REVENUE

**Rs. 4,889 Million**  
(2019/20 – Rs. 4,648 Million)

#### CUSTOMER SATISFACTION INDEX

**89%**  
(2019/20 – 87%)

#### WATER CONSUMPTION\*

**7.01 m<sup>3</sup>**  
(2019/20 – 11.00 m<sup>3</sup>)

#### RESULTS

**Rs. 964 Million**  
(2019/20 – Rs. 867 Million)

#### CARBON EMISSION\*

**0.27 tCO<sub>2</sub>e**  
(2019/20 – 0.39 tCO<sub>2</sub>e)

#### ENERGY CONSUMPTION\*

**2.68 GJ**  
(2019/20 – 3.58 GJ)

\*to generate one-million-rupee turnover

### Key highlights during the year

- Mercedes-Benz AG awarded DIMO the 'Mercedes-Benz Service Excellence Award 2019' in the Region South East Asia II, for attaining the best Customer Satisfaction Index (CSI) and Net Promoter Score (NPS).
- Introducing cutting edge digital solutions for convenient service booking – the DeX Automotive mobile app

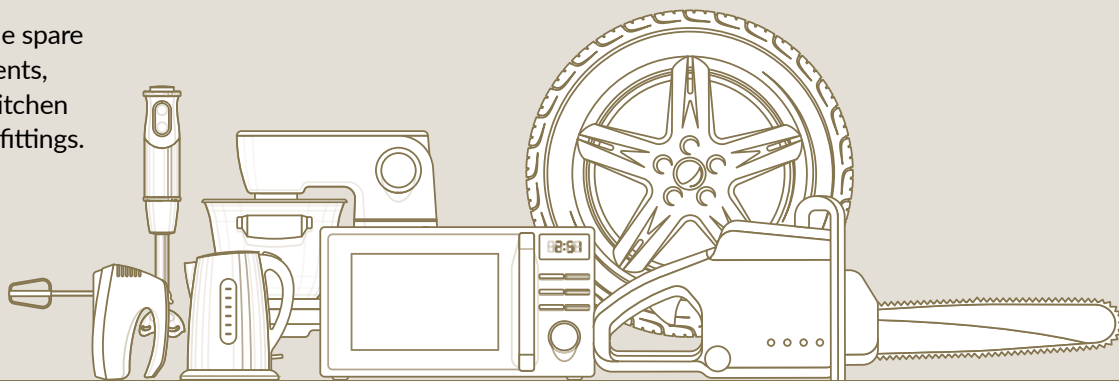
### Key focus areas for next year

- Increase market share
- Improve customer care through convenience and personalised offerings
- Upgrade the skilled labour force and quality of infrastructure to enhance the quality of services
- Leverage tacit knowledge to improve cost and quality of service delivery

## REFLECTING ON THE BUSINESS SEGMENTS

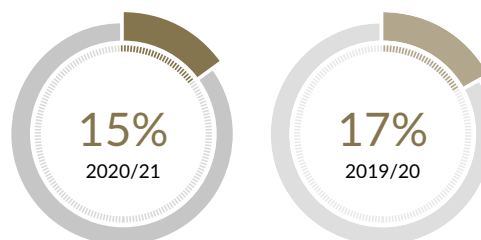
### MARKETING AND DISTRIBUTION

Sale of non-franchise vehicle spare parts, accessories, components, tyres, power tools, lamps, kitchen appliances, paints and light fittings.



The segment reported a decline in revenue by 9% and in its results by 5% in comparison to 2019/20. Lighting projects and commercial tyres were the key contributors to the segment while the paint business adversely affected the segment results. Online platforms introduced during the year and extending the retail network by partnering with third parties for distribution were two key milestones for the segment. The segment is now in the process of revamping its operating framework with a refined set of sales channels.

#### Contribution to Group's segment results



#### Segment performance highlights

##### REVENUE

**Rs. 4,598 Million**  
(2019/20 – Rs. 5,077 Million)

##### CUSTOMER SATISFACTION INDEX

**87%**  
(2019/20 – 87%)

##### WATER CONSUMPTION\*

**0.81 m<sup>3</sup>**  
(2019/20 – 0.92 m<sup>3</sup>)

##### RESULTS

**Rs. 460 Million**  
(2019/20 – Rs. 486 Million)

##### CARBON EMISSION\*

**0.18 tCO<sub>2</sub>e**  
(2019/20 – 0.18 tCO<sub>2</sub>e)

##### ENERGY CONSUMPTION\*

**1.90 GJ**  
(2019/20 – 2.05 GJ)

\*to generate one-million-rupee turnover

#### Key highlights during the year

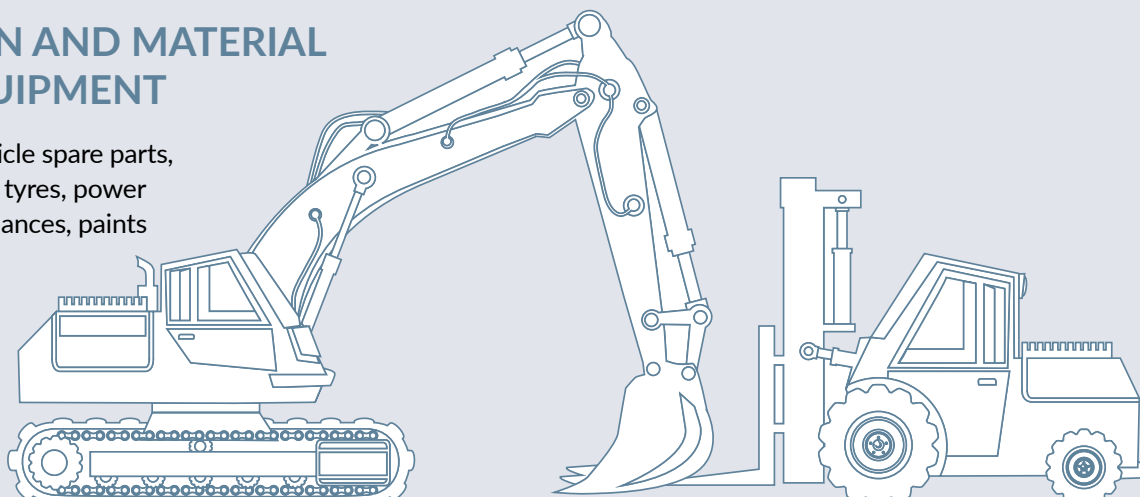
- Launching DIMO's first ever e-commerce platform for consumer retail products
- Implementing a well-structured demand planning process for accurate demand forecasting and procurement.
- Revamping the sales channels and sales force automation for cost optimisations

#### Key focus areas for next year

- Invest in increasing market share
- Streamline demand planning for effective working capital management
- Continue successful execution of the operational business channels developed

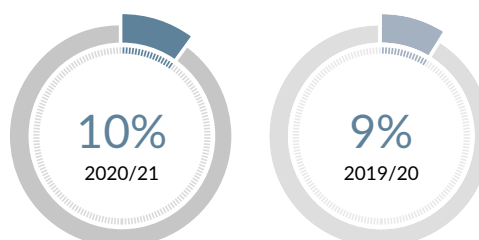
## CONSTRUCTION AND MATERIAL HANDLING EQUIPMENT

Sale of non-franchise vehicle spare parts, accessories, components, tyres, power tools, lamps, kitchen appliances, paints and light fittings.



Despite the pandemic, 2020/21 was the most successful year in recent history for the segment. The continuation of government infrastructure projects boosted segmental revenue by 21% and results by 21% compared to 2019/20. The main contribution was from the sales of construction and mining machinery. This was realised due to the government's expenditure on road development, which was 48% higher than the previous year.

### Contribution to Group's segment results



### Segment performance highlights

#### REVENUE

**Rs. 1,943 Million**  
(2019/20 – Rs. 1,607 Million)

#### CUSTOMER SATISFACTION INDEX

**90%**  
(2019/20 – 91%)

#### WATER CONSUMPTION\*

**2.32 m<sup>3</sup>**  
(2019/20 – 3.49 m<sup>3</sup>)

#### RESULTS

**Rs. 303 Million**  
(2019/20 – Rs. 250 Million)

#### CARBON EMISSION\*

**0.10 tCO<sub>2</sub>e**  
(2019/20 – 0.29 tCO<sub>2</sub>e)

#### ENERGY CONSUMPTION\*

**1.20 GJ**  
(2019/20 – 2.92 GJ)

\*to generate one-million-rupee turnover

### Key highlights during the year

- Outstanding success of hybrid excavators with over 40 units sold during the year. The inbuilt hybrid technology also contributes to a sustainable environment.
- Expanding operations overseas with supply, delivery and installation of dumpsite equipment at Thilafushi Island, Maldives. DIMO worked with the Ministry of Finance and Ministry of Environment of Maldives for this Asian Development Bank funded project.

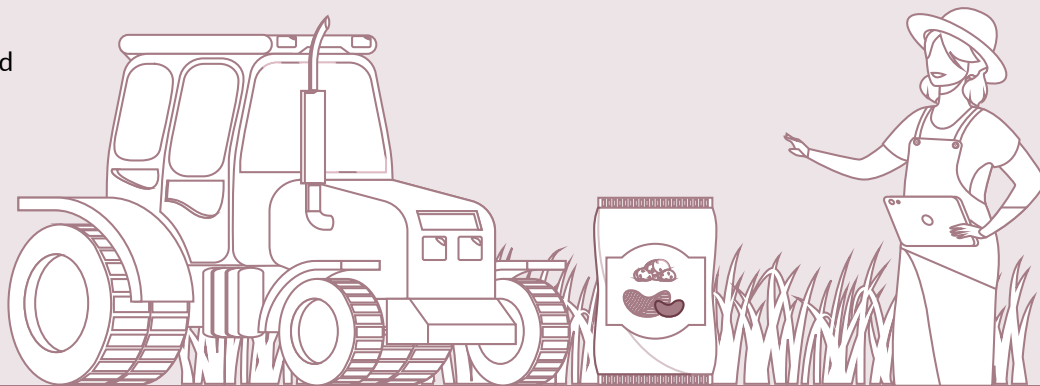
### Key focus areas for next year

- Capitalise on government infrastructure projects
- Rental fleet management
- Expand market share of car parking solutions
- Seek opportunities overseas

## REFLECTING ON THE BUSINESS SEGMENTS

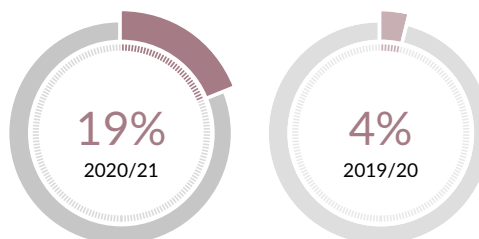
### AGRICULTURE

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



Regardless of the adverse impacts from the pandemic and the Easter attack which affected the tourism industry and thereby the business during the last two years, the segment managed to exceed planned profitability. Sales of fertiliser, agrochemicals and agri machinery were the key contributors. The power of the “DIMO Pohora” brand was evident in a 657% increase in fertiliser sales in 2020/21. Lower lending rates also helped to boost the increase in agri machinery sales. The favourable weather conditions undoubtedly contributed to the results. The segment concluded with an increase of revenue by 114% and results by 384% compared to 2019/20.

#### Contribution to Group's segment results



#### Segment performance highlights

##### REVENUE

**Rs. 7,565 Million**  
(2019/20 – Rs. 3,532 Million)

##### CUSTOMER SATISFACTION INDEX

**88%**  
(2019/20 – 85%)

##### WATER CONSUMPTION\*

**4.20 m<sup>3</sup>**  
(2019/20 – 0.44 m<sup>3</sup>)

##### RESULTS

**Rs. 599 Million**  
(2019/20 – Rs. 124 Million)

##### CARBON EMISSION\*

**0.12 tCO<sub>2</sub>e**  
(2019/20 – 0.18 tCO<sub>2</sub>e)

##### ENERGY CONSUMPTION\*

**1.44 GJ**  
(2019/20 – 1.58 GJ)

\*to generate one-million-rupee turnover

#### Key highlights during the year

- Opening of 25 acre Agri Techno park in Lindula
- Improved value proposition of agri machinery division leading to improved market share
- Launch of DIMO Foot Print range which promotes sustainable home gardening in urban areas

#### Key focus areas for next year

- Introduce value-added agri products
- Assess the impact of government restrictions on inorganic fertiliser and pesticide imports and re-allocate existing resources
- Generate new streams of revenue through R&D
- Efficiently manage working capital

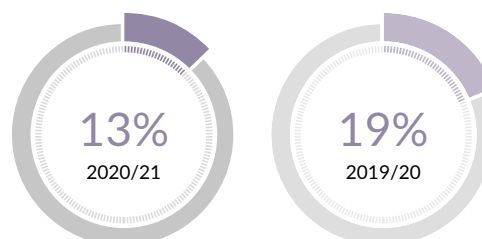
## ELECTRO-MECHANICAL, BIO-MEDICAL AND MARINE ENGINEERING

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.



The segment revenue and results declined by 9% and 26%, respectively, in comparison to 2019/20, reflecting the country's adverse economic conditions. The reduction in revenue from the power sector due to lack of revenue generating power projects was a major reason for the reduction in segment results. Building technologies and medical engineering businesses were the prominent performers of the segment.

### Contribution to Group's segment results



### Segment performance highlights

#### REVENUE

**Rs. 5,386 Million**  
(2019/20 – Rs. 5,911 Million)

#### CUSTOMER SATISFACTION INDEX

**89%**  
(2019/20 – 98%)

#### WATER CONSUMPTION\*

**0.27 m³**  
(2019/20 – 0.41 m³)

#### RESULTS

**Rs. 407 Million**  
(2019/20 – Rs. 546 Million)

#### CARBON EMISSION\*

**0.08 tCO<sub>2</sub>e**  
(2019/20 – 0.10 tCO<sub>2</sub>e)

#### ENERGY CONSUMPTION\*

**0.91 GJ**  
(2019/20 – 1.09 GJ)

\*to generate one-million-rupee turnover

### Key highlights during the year

- Being the electrical balance of plant contractor for "Thambapavanie" – Sri Lanka's first ever government owned wind park
- Supplied and installed fully-fledged KSB pumps from Germany with a production capacity of 4,000m<sup>3</sup>/day for Monaragala - Buttala integrated water supply project.
- Supplying and installation of the high tech first ever Variable Shunt Reactor (VSR) in Sri Lanka.

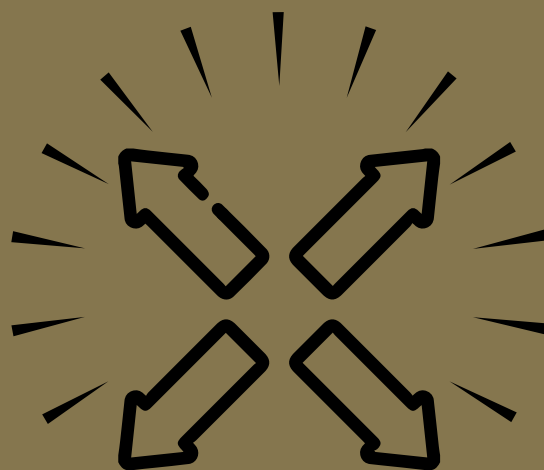
### Key focus areas for next year

- Special focus on water supply projects
- Expand product portfolio in medical engineering & healthcare business
- Pursue higher accreditations to improve qualification criteria for high scale projects in energy & water sectors

# OVERVIEW OF THE OPERATING CONTEXT

Indicator	Measure	Impact to DIMO
<b>GDP growth rate</b>	Amid the COVID-19 pandemic, Sri Lanka's economy contracted by 3.6% in 2020 compared to 2.3% GDP growth in 2019.	With the country's worst growth performance on record since Independence, the Group's performance was impacted by the overall decline in business sentiment and restricted commercial activities. The gradual roll-out of vaccines from end-January 2021 helped marginally improve overall business sentiment.
<b>Interest rates</b>	The average of 12 months Weekly Average Weighted Prime Lending Rate (AWPLR) for financial year 2020/21 was 7.01% compared to the average of 10.6% recorded for the previous financial year.	The drop in AWPLR by over 350 bps and the continuation of a low interest regime resulted in increased demand for motor vehicles and other capital equipment we sell. It also helped to reduce the overall cost of borrowings of the Group during the year
<b>Inflation rate</b>	Headline inflation measured by the year-on-year (YoY) change in the National Consumer Price Index settled at 5.1% in March 2021. (7.0% in March 2020)	The low inflationary situation positively contributes to our business segments as the increase in real disposable income due to lower inflation encourages higher spending by the consumers.
<b>Exchange rates</b>	The Rupee depreciated by 5.5% to Rs.199.04 against the US Dollar as at 31 March 2021, compared to its closing rate of Rs.188.62 per US Dollar as at 31 March 2020. Meanwhile, reflecting on cross-currency movements, the Sri Lankan Rupee depreciated against the Euro, the Sterling Pound and the Japanese Yen during the year.	The depreciation of the Sri Lankan Rupee during the year resulted in the escalation of import costs in all sectors of the Group. The Rupee depreciation also had a negative financial impact on the Group, given its significant foreign currency creditor balance.
<b>New registration of motor vehicles</b>	Notable reductions in registrations were witnessed across all vehicle categories with new registrations of motor cars declining by 45.0% in 2020.	The Group's vehicle sales segment experienced a significant impact from the policy measures taken by the government and the Central Bank to curtail motor vehicle imports.
<b>Transportation sector growth</b>	Private sector road transportation witnessed a drop of 66% in 2020 with 18.5mn kilometers against 54.2mn kilometers in 2019, while government sector road transportation recorded a 32% decline in kilometers.	Private sector road transportation has a direct impact on the vehicle sales segment, vehicle aftercare segment and the marketing and distribution segment.
<b>Government and private consumption</b>	Government consumption grew at a higher rate of 9.8% in 2020 compared to the previous year, the key driver being the increase in expenditure on health. Private Consumption increased by 1.0% in 2020.	Government and Private consumption in the Health category expanded during the year contributing positively to the medical business of DIMO.
<b>Industrial sector growth</b>	Reflecting the adverse impacts of the COVID-19 pandemic, mainly on construction, manufacturing, and mining and quarrying activities, Industry activities contracted by 6.9% in 2020 in value added terms, compared to the growth of 2.6% recorded in 2019. However, RDA continued to conduct several road and bridge development programs during the year.	Road development programs conducted by the RDA during 2020 contributed positively to the construction and material handling equipment segment. Water collection, treatment and supply activities also contributed positively towards the Industry activities in 2020 benefiting the Fluid management business of DIMO.
<b>Agricultural sector growth</b>	Agriculture activities recorded a contraction of 2.4% in 2020 in value added terms, compared to the growth of 1.0% in 2019. However according to estimates of the Department of Census and Statistics, vegetable production saw a growth of 13.0% while the production of fruits increased in 2020 by 3.1%.	The setback in agriculture activities was largely due to the COVID-19 pandemic related disturbances to certain plantations and fishing activities. Meanwhile, growing of vegetables, rice, cereals, fruits and spices expanded during the year positively contributing to the overall Agriculture activities which positively impacted the Agri input products sold by DIMO.





# ASSESSING OUR DIRECTION

## THE MANAGEMENT DISCUSSION AND ANALYSIS

This section is the management discussion and analysis that provides information for readers to assess how well DIMO is geared to create value in the medium and long term.

- 46 Being Robust: Management of Monetised Resources
- 48 Being Agile: Accelerating Growth Through Technology
- 50 Being Resilient: Transforming Our Tribe to be Future Ready
- 52 Being Competitive: Differentiating Our Offerings
- 54 Being Proactive: Managing Risks
- 57 Being Sustainable: Responsible Leadership

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60 Independent Auditor's Report on the Integrated Report

# BEING ROBUST: MANAGEMENT OF MONETISED RESOURCES

**Managing the flow of funds is imperative to ensure the efficient utilisation of resources, liquidity and solvency. This year, managing the sources and uses of funds required extra effort with the onset of the COVID-19 pandemic and the consequent uncertainty arising from business and movement restrictions.**

## Sustainable value creation through monetised resources

This review covers monetised capital of the Group for the year ended 31st March 2021, taking into consideration the companies that have been consolidated in the financial statements of Diesel & Motor Engineering PLC. Monetised resources are those that are stated in monetary terms in the Financial Statements. They largely influence our ability to acquire other forms of resources and the competitiveness of the value proposition we offer. Securing and carefully nurturing monetised resources is of paramount importance to sustain and grow the business.

## Cash generation and liquidity management

Managing the flow of funds is imperative to ensure the efficient utilisation of resources, liquidity and solvency. This year, managing the sources and uses of funds required extra effort with the onset of the COVID-19 pandemic and the consequent uncertainty arising from business and movement restrictions.

Maintaining a healthy current ratio and a quick asset ratio is vital for adequate liquidity. As depicted in Graph 03, the Group has been maintaining its current ratio at 1.4 times at the end of the year 2020/21 (average 1.3 times over the last five years). The graph further indicates the gradual increase in quick asset ratio over five years from 0.5 times in 2016/17 to 0.9 times in 2020/21, reflecting the Group's efforts to increase the liquidity of current assets by optimising inventory holding through strong demand planning activities and by better management of receivables.

The average cash conversion cycle for the Group stood at 149 days for year 2020/21 (2019/20 – 162 days). The improvement of the cash cycle is mainly due to the increase in trade payables. The longer

period for debt collection resulting from the extended credit terms given to certain customers in light of issues related to the COVID-19 pandemic, have negatively impacted the Group's average cash cycle. The Group continues to closely monitor the level of debt collection. Working capital during the cash cycle is funded through banking facilities; and these arrangements had Rs. 11,084 million cumulatively unutilised as at 31st March 2021.

As part of its initial response to the COVID-19 crisis, the Group took several measures to increase liquidity including the curtailing of specific discretionary expenses without compromising operations, securing additional funding to finance adverse impacts to cash flow, deferment of capital expenditure and management of revenue, credit and collections. These measures had a positive impact in securing liquidity throughout the recovery phase.

Cash and cash equivalents in hand and at bank as at 31st March 2021 was Rs. 1,199 million, a 43% increase from Rs. 838 million in last year. The excess cash available is managed by the Group's treasury function to ensure the effective use of such funds.

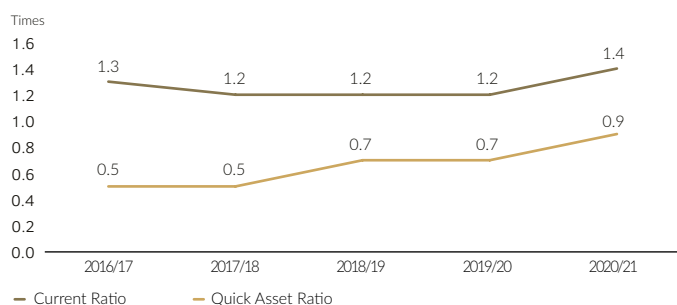
## Improving efficient use of assets while optimising cost

The efficient and prudent management of monetised assets such as property, plant and equipment, intangible assets, inventory, receivables and cash in hand and at bank, is imperative in maximising profitability and liquidity. The management of monetised assets is of paramount importance to the profitability of the Group.

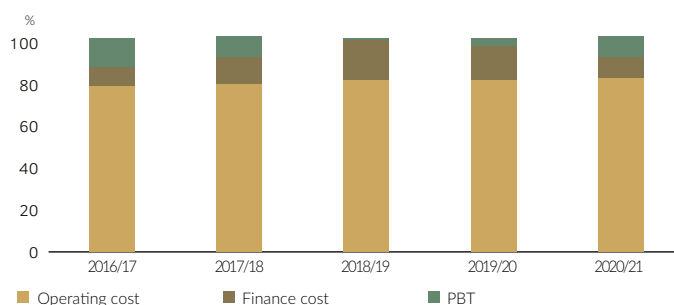
Cost optimisation has always been a management priority. The group experienced slow revenue growth during the last five years mainly due to the volatility in government regulations on vehicle importation. This trend demands extra attention towards the optimisation of cost structures, effective utilisation of assets and improvement of productivity.

With a new identity and repositioning of the brand, the Group is now focused on optimising the channels to deliver on our brand promise. The branch network which is predominantly utilised by vehicle sales and after services is expected to provide more revenue streams through other segments. Out of a total Rs. 13,859 million investment in PPE as at 31st March 2021, Capital expenditure for the year amounted to Rs.303 million. This includes Rs. 148 million investment in a solar power generation project in Embilipitiya.

**Graph 03:**  
**Liquidity ratios**



**Graph 04:**  
**Cost as a percentage of gross profit**



Optimisation of the cost structure of the Group is another key focus area in the short to medium term.

Reducing borrowing rates helped the Group to reduce finance cost by 47% during the year to Rs.734 million from Rs.1,390 million in the previous year.

As depicted in Graph 04, the Group's operating cost which includes staff and administration expenses accounts for more than 80% of the Group's gross profit; improving this ratio is imperative to grow profitability. Business process re-engineering, integrating technology to improve process effectiveness and aggressive budgetary controls are some of key tools being used to put this requirement in to practice.

### Maintaining healthy gross profit margin in the post COVID-19 pandemic economy

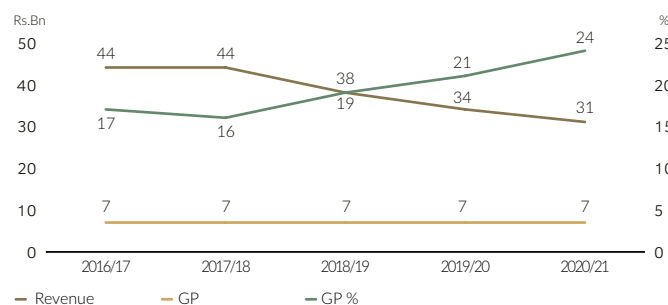
The disruption to economic activities due to the COVID-19 pandemic diminished our ability to generate revenue in the short term. Uncertainty pertaining to shifts in customer expectations, volatile lead times for supplies and mobility restrictions were some of the adversities and these necessitated the Group to have solid plans to stimulate revenue generation and drive value creation. During 2020/21, revenue shows a marginal decrease; however, Gross profit margin improved to 24% (2019/20: 21%) due to focused efforts on management of margins. Vehicle after services, construction and material handling equipment and agriculture segments recorded improved segment result than last year.

### A capital structure to facilitate the diversification strategy

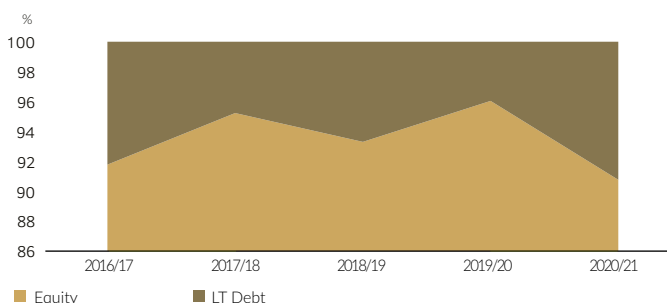
Diversification is the corporate strategy that enables the Group's expansions and revenue growth. As depicted in Graph 05, the diversification of revenue streams has enabled the Group to enjoy stable gross profit and growing gross profit margins despite the decline in revenue.

It is mandatory that the Group maintains a capital structure that enables cost effective funding for new investments and acquisitions. As depicted in Graph 06, the Group has been maintaining a gearing ratio around 7% during the last five years. This affords the company the flexibility to borrow to fund its capital investments. Over Rs. 3,063 million short term borrowings of the Group, obtained to facilitate working capital, are outstanding as at 31st March 2021 (2019/20 – 10,794 million).

Graph 05:  
Revenue, gross profit and gross profit margin



Graph 06:  
Capital structure



### A responsible taxpayer

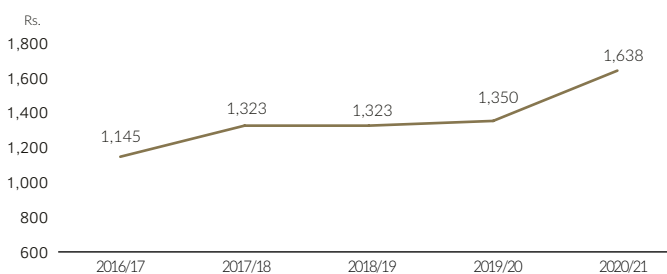
The tax we pay is important to the economic and social development of the country and therefore we have a responsibility to comply fully with relevant regulations. The Group's income tax charge for the year was Rs. 184 million of which Rs. 335 million was in respect of current year tax charge. During the year the Group recorded Rs. 152 million reversal of the deferred tax liability. Increase in tax charge due to the 158% increase in profit before tax, compared to last year. The effective tax rate (including the effect of the deferred tax expense) decreased to 26% from a rate of 28% previous year. The reconciliation between accounting profit and taxable income is available in Note 4.6.1 to the Financial Statements. A summarised computation of deferred tax is provided in Note 4.24 to the Financial Statements.

### Sharing value with stakeholders

Our efforts to maximise financial performance reflect our commitment to delivering long-term value to shareholders. Improving net asset per share and distributing attractive dividends to shareholders are key parts of this mandate. As depicted in Graph 07, over the past five years we have increased our net asset per share from Rs. 1,145 in 2016/17 to Rs. 1,638 as at 31st March 2021. Our dividend policy seeks maximum shareholder return while retaining adequate earnings for investments.

A first and final dividend of Rs. 12.50 per share was declared by the Board of Directors on 28th May 2021 for the Financial Year 2020/21 which is to be paid on or before 29th June 2021 (A first and final dividend of Rs. 2.50 per share was declared by the board of directors on 30th December 2020 for the Financial Year 2019/20 and was paid in 2020/21).

Graph 07:  
Net assets per share



# BEING AGILE: ACCELERATING GROWTH THROUGH TECHNOLOGY

## A CONVERSATION WITH THE CHIEF INFORMATION OFFICER (CIO)

In line with its the corporate strategy, DIMO is undertaking a much-needed digital transformation to accelerate its competitiveness. This is expected to boost DIMO's ability to create value in the future by streamlining processes, optimising resource utilisation, capitalising on synergies across different business verticals and most importantly, enabling exceptional customer experience.



“During the next three years, I don't consider DIMO's corporate plan and digital transformation to be two separate things. Digital transformation drives business strategy and improves competitiveness, allowing for long-term growth.”

Mangala Wickramasinghe  
Chief Information Officer

Diversification leads to the expansion of business verticals, resulting in a complex organisational structure that necessitates flawless systems and processes. How is DIMO preparing to manage complexities arising from upcoming growth initiatives?

Technology is a key organisational capability in diversification. It drives standardisation and shared service strategies to generate cost advantages and manage complexities, yet allows a company to preserve its Unique Selling Propositions in different product and service offerings. Agility in diversification is another key factor since

the windows of opportunities are getting shorter and shorter. Data for agile decision making and business systems embedded with industry best practices and time-tested business templates are all critical to DIMO's growth plans. These are all included in our ICT strategies. We are also building the ICT infrastructure and resource capabilities to drive these expansion initiatives; establishing a Tier-1 enterprise resource planning application is one part of that journey.

**Customer primacy is a key element that differentiates DIMO's offering from that of its competitors. How is technology geared to enable this critical aspect at DIMO?**

Customer experience is already the number one product/brand differentiator and modern-day customer experience delivery is built on data. We have a very clear vision for Group-wide customer experience delivery and ICT is the mainstay of the technologies and business structures we have built around that vision. All products and services will go through customer experience guidelines, which are based on “customer experience first” thinking, and the company will be able to capture and analyse data of every single customer touch point to enhance customer experience. Importantly, all future ICT business application systems procurements will also go through customer experience guidelines.

Figure 09: How ICT transformation will enhance the quality of capitals

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

**Figure 10: DIMO's IT transformation journey for the next five years**

Group wide ERP	Revamp ICT infrastructure	Application consolidation	IT business partnering	Customer experience
<ul style="list-style-type: none"> <li>Best practices</li> <li>Digitalise business processes</li> <li>Increase agility of decision making</li> </ul>	<ul style="list-style-type: none"> <li>Optimum/ Innovative infrastructure</li> <li>Access to systems from anywhere</li> </ul>	<ul style="list-style-type: none"> <li>Availability of Integrated information</li> </ul>	<ul style="list-style-type: none"> <li>Drive business by responding to industry and technological changes</li> </ul>	<ul style="list-style-type: none"> <li>Integrated customer experience</li> <li>Use of data science to map customer journey</li> </ul>

**With the onset of the COVID-19 pandemic, there has been a rapid shift toward interacting with customers via digital channels. How is DIMO capitalising on this opportunity?**

We were already interacting with customers through digital channels, but the pandemic triggered an exponential increase. There are multiple ways to approach electronic commerce and one can easily lose the way if there is no proper vision and strategy. DIMO has a clear vision of how to sustainably scale e-commerce and we are now in the process of building technologies and processes around it. Building ICT infrastructure for e-commerce is one of our key initiatives along with SAP rollout.

Among the initiatives taken this year to improve virtual customer experience, the highlights were the launch of DIMO's retail e-commerce site to sell retail products of the Group; the launch of "DEX App" - an app for convenient vehicle service booking, and "Cars at DIMO" - a website that provides information on vehicles.

**The pandemic has created new priorities for business operations, such as remote working. How confident are you about DIMO's crisis response plan to completely operate its business remotely if the need arises?**

We have employee mobility in our DNA; DIMO is one of a few large conglomerates where every employee carries a connected laptop. In fact, we did not face many remote working challenges during the recent lockdowns since almost all our employees had the capability of Working from Home (WFM). Our business-critical ICT infrastructure is 100% accessible remotely and soon, every single business system at DIMO would be seamlessly accessible to all employees.

**Remote work and customer interactions have increased the demand for data security. How is DIMO faring with this new development?**

We undertake extensive controls and regular reviews to maintain the 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; and providing continuous education to staff on the importance of information security and on handling sensitive data. The availability of a dedicated and an independent Information Security and System Audit Manager further mitigates this risk.

**The economy's high uncertainty, combined with DIMO's high degree of diversification, demands agility in decision-making and resource re-allocation based on changing priorities. How do you, as CIO, make this mandate a reality?**

Agility is a challenge for a large conglomerate operating in many industries. Successful agility is a well-coordinated effort among three corporate capabilities: agile business information systems, agile organisational structures and agile decision making. The agility of our business systems and organisational structures will be further accelerated through the implementation of the Tier-1 ERP SAP and other on-going digitalisation initiatives. One of the key elements of this organisational transformation is transforming Group ICT function to be agile. The most notable priority for ICT transformation is enabling an "analytics organisation" where decisions are taken solely on the basis of accurate data.

**When it comes to delivering differentiation, supply chain performance is crucial. How do you plan to use technology to ensure efficient and effective supply chain operations across multiple channels?**

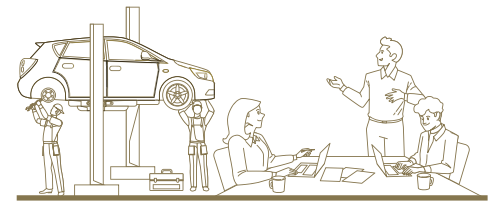
Supply chains are probably the single most important business capability in our organisation. Evolving customer, partner, and supplier expectations demand a move to digital supply chains and digital collaborations. We have a clear road map for digital supply chains and digital collaborations with our Principals, Trading partners, Vendors and Consumers. The pandemic accelerated the implementation of some of our plans and we are thus, already seeing the benefits. Data-driven demand planning and sales force automation are a few such initiatives. Importantly, we are very focused on customer experience embedded in these digital supply chains and consider it to be a key differentiator in our products and services.

**Finally, how do you think DIMO's digital transformation plan will fare in three years in comparison to Group's corporate strategy?**

Driving the organisation to be more innovative, agile and digital is indeed important, but I believe the greater success comes from business transformation. Therefore, we have begun our digital transformation through business transformation, with the digitalisation of business processes considered the centrepiece. This is why, particularly in light of DIMO's next three years, I don't consider the Corporate Plan and Digital Transformation to be two separate things. Digital transformation drives business strategy and improves competitiveness, allowing for long-term growth.

# BEING RESILIENT: TRANSFORMING OUR TRIBE TO BE FUTURE READY

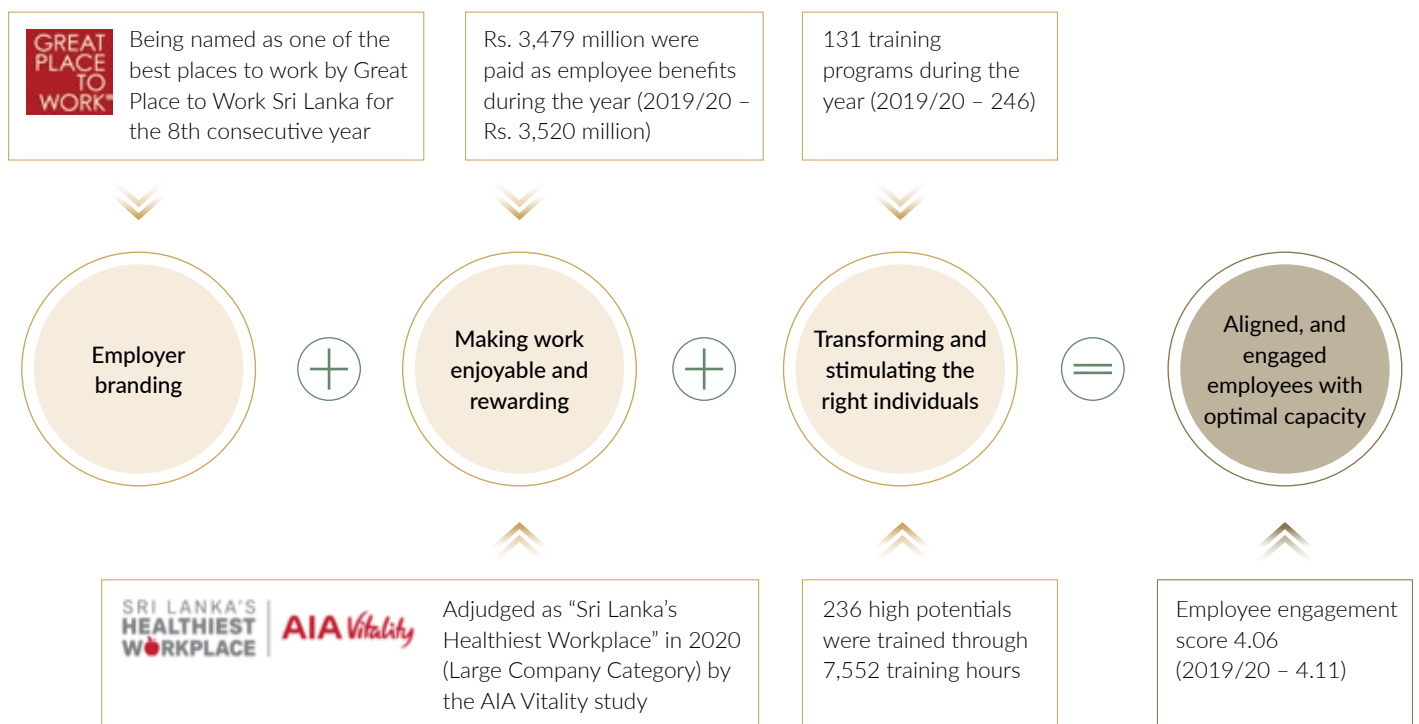
Transforming our tribe and preparing them for the challenges ahead ensures the success of the future value creation. For this, we develop our employees' capabilities, nurture well-rounded leaders, and, most significantly, improve DIMO's HR competencies to transform individuals.



**1,801** employees

who are aligned with DIMO's purpose and ready to lead the company into the future.

Figure 11: Human capital development at DIMO



## Talent management and transforming individuals

Talent attraction, acquisition, development and retention are mainstream HR activities that ensures the availability, affordability and the quality of human resources and their level of engagement for value creation. Our Employee Value Proposition (EVP) is "making work enjoyable and rewarding", and the alignment between our EVP and the experience received by the employees, together with a fair and equitable culture, has created a unique employer brand for DIMO, which helps us attract, retain and engage talent in our value creation process.

DIMO's talent management strategy goes beyond training and development. We highlight the importance of individual transformation so that our tribe can keep up with the ongoing changes in the

environment. This agenda is the focus of all of our HR activities. We also have dedicated team of experts, reporting to the CHRO, who ensures employee transformation across the company.

Employee engagement score is the Key Performance Indicator to assess the level of employee engagement for value creation. It reflects the employee alignment to DIMO's purpose. During the year under review, the employee engagement score was 4.06 out of 5 (2019/20 – 4.11). Despite efforts to keep employees engaged, challenges posed by remote and hybrid working models, both of which were new to DIMO, had a negative effect on employee engagement. Having learned from the previous experience and with dedicated plans, DIMO is now geared to ensure the fighting spirit of its employees is preserved and improved.

## WORLD CLASS HR PRACTICES



- ⦿ High potential training program
- ⦿ Monthly employee councils
- ⦿ HR clinics
- ⦿ Online Learning Management System
- ⦿ “Touch Stone” the dedicated outbound training centre
- ⦿ “Tune-Up” executive coaching sessions
- ⦿ Online performance management system
- ⦿ Employee Resource Group targeting a gender smart organisation
- ⦿ “DIMO Api” a Facebook page dedicated for employees for engagements 24/7
- ⦿ A dedicated committee for employee health and safety

### Nurturing leaders with integrated thinking

DIMO's diversification strategy demands aggressive growth initiatives. Managing complexities that emerge as a result of these expansions requires highly skilled staff and leaders with holistic thinking. Leaders who take a holistic approach will recognise the interconnections and interdependencies among various elements that are material for value creation, allowing them to make more informed decisions. Developing leaders with integrated thinking thus takes priority in DIMO's HR agenda.

### Management systems that harness integrated thinking

Harnessing well rounded individuals is routed through the management systems including quality, environment, social accountability and the performance management system. Management systems provide a systematic approach for managing what is material for value creation to the business unit level managers.

### Partnering employees in strategy formulation

DIMO's annual corporate planning sessions include brainstorming with operational level employees, providing them the opportunity to be involved in business level strategy formulation. This opportunity allows employees to identify key value drivers and enablers of the business, including areas such as customer primacy, market presence and employee training needs. The GMC and the Board approve the business unit-level strategy that results from this exercise, which is then escalated to the Annual Business Plan and the three-year Corporate Plan.

### High potential training program

Among several other initiatives, the High Potential Training Curriculum aims to build leaders with integrated thinking. The program recognises individuals at various levels of the organisation who outperform their peers and develop their capacity to lead the company into the future while challenging their management perspectives, broadening their horizons, and enhancing their understanding of the various elements that affect value creation. During the year 2020/21, 236 high potentials were trained (2019/20 – 149).

## Manager effectiveness survey

The Manager effectiveness survey is conducted to assess the leadership traits demonstrated by supervisors towards their subordinates. It assesses how the supervisor is aligning team members towards DIMO's purpose and corporate objectives. The survey helps DIMO to identify areas that require improvements and address them to ensure supervisors are groomed to be better leaders. During the year under review, the manager effectiveness survey conducted drew a response rate of 71%.

## COVID-19 PANDEMIC RESPONSE PLAN



- ⦿ Roll-out of personal protective equipment to ensure health and safety of our tribe
- ⦿ Immediate salary advances
- ⦿ Health & safety communications
- ⦿ E-learning
- ⦿ Constant engagement from the leadership
- ⦿ Work preparedness communications
- ⦿ Virtual employee engagements
- ⦿ Hybrid work model

### Developing HR competencies to meet increasing demand for talent

DIMO's aggressive diversification strategy necessitates equally aggressive HR capabilities in order to ensure that the best talent is available at the right time. Moreover, it is important to ensure that we transform our employees in line with the changes in the external environment. It is therefore equally essential to develop the competencies of the HR personnel while streamlining HR processes.

Developing HR personnel's competencies entails improving their knowledge of business operations and business-level strategies. This knowledge enables them to tailor HR activities and organisational hierarchies to the specific industries in which DIMO operates. It also helps to identify talent gaps in each business and provide proactive solutions internally or externally. Centralising HR activities and allowing HR personnel to work closely with business unit managers is one such approach to ensure that operational knowledge flows to HR personnel.

Changing business needs and volatility in the environment require constant streamlining of HR processes and practices. Together with the digital transformation, DIMO is now in the process of automating HR practices and improving the availability and quality of HR insights. This is in line with the Group's venture into a Tier-1 ERP system in the next financial year. Further DIMO engages in external consultations to streamline employee rewarding policies through a comprehensive assessment on job positions and incentive payment schemes.



# BEING COMPETITIVE: DIFFERENTIATING OUR OFFERINGS

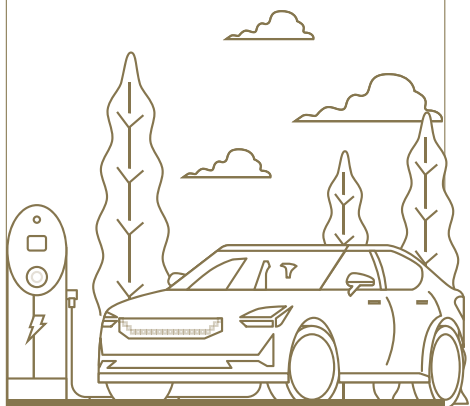
**Differentiating our offering throughout the value chain is key to attracting customers and world-class business partners and is the foundation of long-term relationships. This vital aspect of business is guided by DIMO's differentiation strategy.**

Our strategy of Differentiation is embedded mainly in our offering, delivery and post-delivery care, and is influenced by our corporate philosophy and values.

At every step along the value chain, we strive to enrich the content and delivery of our offering by nurturing and developing the suppliers, human resources and processes to create the difference. While DIMO's own value addition plays a key role in differentiating the distinct value we offer, these efforts are complemented by the best in class brands that we represent. Below, we present an account of how DIMO pursues this mandate, and the areas we focus on to deliver differentiation.

## TECHNOLOGICAL EXCELLENCE

We receive world renowned technology and world class technical know-how from our principals. The medical equipment, power solutions, construction machinery and even automobiles we represent offer advanced technology and provide efficient solutions. In addition, DIMO is undergoing an internal digital transformation to ensure the effectiveness of our systems and processes. For more information refer the section on technology from pages 48 to 49.



## CUSTOMER PRIMACY

Customer primacy is mandated by DIMO's corporate values and is embedded into our systems and processes through our Quality Management System. We invest about 1% to 2% of annual revenue on customer engagement activities, customer loyalty programs and to maintain a dedicated CRM unit with a 24/7 call centre operation, to further enhance customer primacy.



## DEPENDABILITY AND AFTERCARE

DIMO's corporate values and brand promise drive the company's commitment to dependability. DIMO aftercare is the key source of dependability: it offers the latest technology, a team of 571 well trained, dedicated employees, well trained employees and accessibility anywhere in the country through DIMO's branch and dealer networks. Our dependability is further enhanced by the tacit knowledge gathered and time-tested processes built over 80 years of business. Customers enjoy smooth processing of warranty claims due to the solid relationships we enjoy with foreign principals.



## In the midst of the COVID-19 pandemic, DIMO's digital presence guaranteed an excellent consumer experience.

At a time when physical presence is under challenge, our digital presence facilitated constant engagement with customers. DIMO's digital presence is marked with 19 digital assets including eight Facebook pages, five Instagram profiles, three LinkedIn pages, one YouTube channel and two Twitter profiles. We use our social media presence not only to engage with customers but also as a platform for brand advocacy and for grievance communications. Our 100% response rate and the negative sentiment policy have given customers the confidence to keep reaching us through this platform. DIMO's social media assets annually reach 3 million to 4 million engagements.

On the other hand, the dynamic DIMO website drew in over 2,500 product inquiries via comprehensive, continuously updated products pages.

## DIMO THRIVING IN ITS DIGITAL PRESENCE

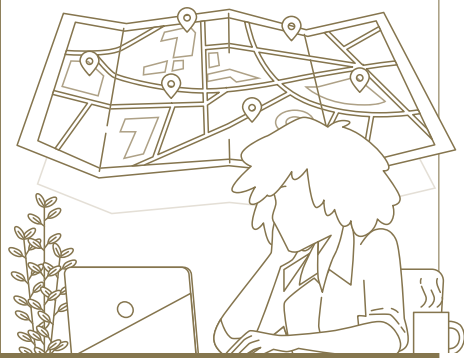


DIMO is ranked as the Top Sri Lankan Automotive Brand on Facebook and YouTube with Mercedes-Benz Sri Lanka as 2nd, Jeep Sri Lanka and TATA Motors Sri Lanka as 4th and 6th on Facebook. DIMO is among the top 5 fastest growing auto brands in terms of audience in Facebook at the moment.

(source: socialbakers.com, 2021)

### MARKET PRESENCE

One of DIMO's key differentiators is our presence all over the country, both physically and digitally. This is a key competitive advantage when attracting internationally renowned principals. DIMO operates 43 customer contact points, of which 24 are outside the Western Province. DIMO has to date invested Rs. 6,370 million on property plant and equipment to establish these contact points.



### RESPONSIBLE BEHAVIOUR

Our quality management system, environmental management system and social accountability management system ensure we are responsible in all we do. These management systems are accredited for ISO 9001:2015 and ISO 14001:2015 and testify to our responsible behaviour. We are also conscious of how our suppliers and foreign principals operate. We ensure our principals have core values that complement our own and they have a similar approach to conducting their businesses. Among many aspects are ones that prescribe our expectation of ethical standards and the level of technology integrated into systems. More information on DIMO's responsible behaviour is reported from pages 57 to 59.



**Figure 12: Providing our customers the access to world class brands from world leaders**

	Belgium		Korea
	China		Singapore
	Finland		Sweden
	France		Switzerland
	Germany		Thailand
	India		UK
	Italy		UAE
	Japan		USA

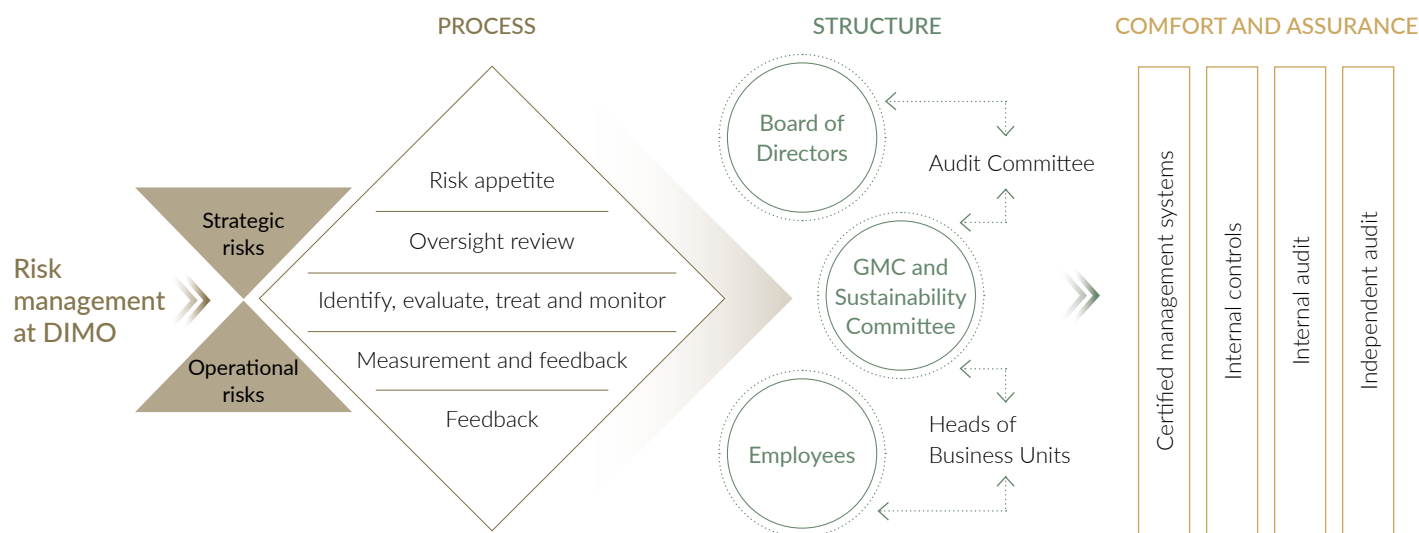


## BEING PROACTIVE: MANAGING RISKS

**Risk management is integral to an uninterrupted value chain and consistent performance and growth. With the uncertainty built around the pandemic, our risk strategy evolved in response to the potential shocks within our business landscape.**

The Board of Directors' stewardship obligations dictate that it bears responsibility for having a risk management process and a culture for risk management in place within the organisation. As depicted in Figure 13 below, risk management at DIMO is twofold: managing strategic risks at corporate level and managing risks at operational level. Figure 13 further depicts the approach to managing risks, and the structure available to review the effectiveness of the risk management process, alongside the sources providing comfort and assurance.

**Figure 13: Risk management framework**



Managing strategic risk is important to ensure the successful delivery of the Group's diversification, collaboration, and differentiation strategies. Risks pertaining to the business plans are assessed, quantified and mitigated to ensure the delivery of corporate performance. Risks related to the collaboration strategy include the Group's inability to collaborate with business partners and employees in delivering the differentiation strategy.

Management of operational risk is delegated to business unit level where the technical expertise of the diversified product portfolio lies. Each division maintains a risk register as mandated by the Quality Management System. Each respective unit head must identify and record significant uncertainties throughout the value chain managed by that division. Significant risks at operational level which may be of sufficient magnitude to affect the implementation of strategy are communicated to the GMC during the annual business plan presentations.

The Audit Committee plays an important role in ensuring that controls are in place to mitigate key risks arising from day to day business operations. Internal audits and external audits are carried out to test such controls and such internal audit findings are reported directly to the Audit committee.

Management systems have been implemented to provide assurance that risks are managed throughout the value chain. The quality management system, environmental management system and social accountability management system form part of the aforesaid systems.

Table 03 presents an account of key risks escalated to the Board of Directors. These risks are those that exceed the Group's risk appetite, based on their impact on the Group irrespective of their low probability of occurrence. The Board of Directors evaluates such risks, decides on sufficient mitigation activities and monitors the effectiveness of such activities.

Table 03: An account of DIMO's principal risks and uncertainties

Risk statement	Impact to value creation	Risk mitigation	Change in risk profile				
			20/21	19/20	18/19	17/18	16/17
Uncertainty in demand and supply due to interruptions to the global and local supply chain	Due to the spread of COVID-19 pandemic, the Group experiences negative impact on the availability of supply, and reduction in demand, negatively affecting Group's liquidity	<ul style="list-style-type: none"> <li>Constant dialogue with principals to secure supplies</li> <li>Secure financing facilities from banks</li> <li>Extra attention to monitor debt collections</li> <li>Curtail specific discretionary expenses</li> </ul>	●	●	●	●	●
Risk of employee health and safety (H&S)	With the spread of COVID-19, the risk of our employees coming into contact with the virus is high, especially when using public transport and during field visits. Such contact can interrupt our business operations as well.	<ul style="list-style-type: none"> <li>An emergency task force was formed with the accountability to ensure H&amp;S of employees</li> <li>A Group-wide H&amp;S guideline was issued in adherence with government regulations, with all employees declaring their fullest commitment through a formal declaration.</li> <li>Required PPE and disinfectants are made available to employees and other visitors to the premises</li> <li>Employees who travel by public transport are encouraged to work from home</li> </ul>	●	●	●	●	●
Volatility of import regulations	<p>Majority of Group's revenue is generated by imports of different products. This makes the Group's revenue highly vulnerable to the import regulations issued by the government.</p> <p>The recent import bans on vehicles, and inorganic fertiliser and pesticide are such examples</p>	<ul style="list-style-type: none"> <li>The Group is aggressively pursuing a diversification strategy. As depicted by the strategy on page 17, our revenue is diversified in to six business segments and the contribution from each segment is much more balanced.</li> <li>A dedicated division has been given the responsibility of corporate planning and driving the diversification strategy.</li> </ul>	●	●	●	●	●
Risk of disruption to relationships with key business partners	Any disruption with business partners affects the functionality of our business segments and could also negatively affect the relationship we maintain with other business partners.	<ul style="list-style-type: none"> <li>Differentiate DIMO from rivals to provide an unrivalled value proposition to business partners, simulating mutually beneficial partnerships.</li> <li>Periodic evaluation of Principals' and employee satisfaction levels</li> <li>Emphasis on meeting expectations of principals</li> </ul>	●	●	●	●	●

- Extensive monitoring and management required
- Considerable monitoring and management required
- Moderate monitoring and management required

## BEING PROACTIVE: MANAGING RISKS

Risk statement	Impact to value creation	Risk mitigation	Change in risk profile				
			20/21	19/20	18/19	17/18	16/17
Risk of operational disruptions and intellectual property compromises due to security breaches / cyber – attacks/ system breakdowns in the IT systems	A security breach can reveal confidential information about customers, suppliers and key projects we undertake 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 continuity.	<ul style="list-style-type: none"> <li>Extensive controls and reviews to maintain efficiency of IT infrastructure and data including periodic technical vulnerability assessments on the corporate network and website</li> <li>Regular data backups; storing data backups in off-site locations</li> <li>Availability of an independent Information Security and System Audit Manager</li> <li>Continuous training on information security to employees</li> </ul>	●	●	●	●	●
Negative impact on social licence to operate	Economic, environment and social impacts are inherent to business value creation. Failure to manage them responsibly could affect the social licence to operate and our ability to achieve strategic objectives.	<ul style="list-style-type: none"> <li>Code of business conduct ensures ethical behaviour of employees. Every new employee joining DIMO signs their agreement to conduct themselves according to the Code of Business Conduct.</li> <li>Accredited quality, environmental management systems and DIMO's social accountability management system ensure timely responses to impacts</li> <li>Refer pages 57 to 59 for more information on DIMO's approach for impact management.</li> </ul>	●	●	●	●	●
Possible events / incidents that could cause customer health and safety issues	<p>Products and solutions we represent are complex and involve highly automated technical components which, if not operated properly, may cause health and safety threats to customers. Such incidents could negatively affect our brand and reputation.</p> <p>With the onset of COVID-19 pandemic, ensuring the safety of our on-site customers is critical</p>	<ul style="list-style-type: none"> <li>Customer safety is a priority in the quality management system which is ISO 9001:2015 accredited</li> <li>Adherence to government health and safety regulations with regard to COVID-19 pandemic.</li> <li>Encouraging virtual engagements with customers through DIMO's digital platforms</li> </ul>	●	●	●	●	●
Rupee depreciation against foreign currency particularly the US dollar.	DIMO's business model is centred around inputs that are imported. Depreciation of rupee thus negatively affects the cost of our products' and prices and thereby consumer demand.	<ul style="list-style-type: none"> <li>Cost of rupee depreciation is often transferred to customers with price increases</li> <li>Short term marketing initiatives are in place to create a market pull and thereby keep the demand intact</li> <li>Our long term plan is to diversify into areas with less dependency on imports.</li> </ul>	●	●	●	●	●

- Extensive monitoring and management required
- Considerable monitoring and management required
- Moderate monitoring and management required

# BEING SUSTAINABLE: RESPONSIBLE LEADERSHIP

**DIMO's commitment to sustainability is deeply rooted in our corporate culture and the business philosophy of our founders. Our leadership in sustainability is inspired by our purpose and guided by our values; it is part of DIMO's differentiation strategy.**

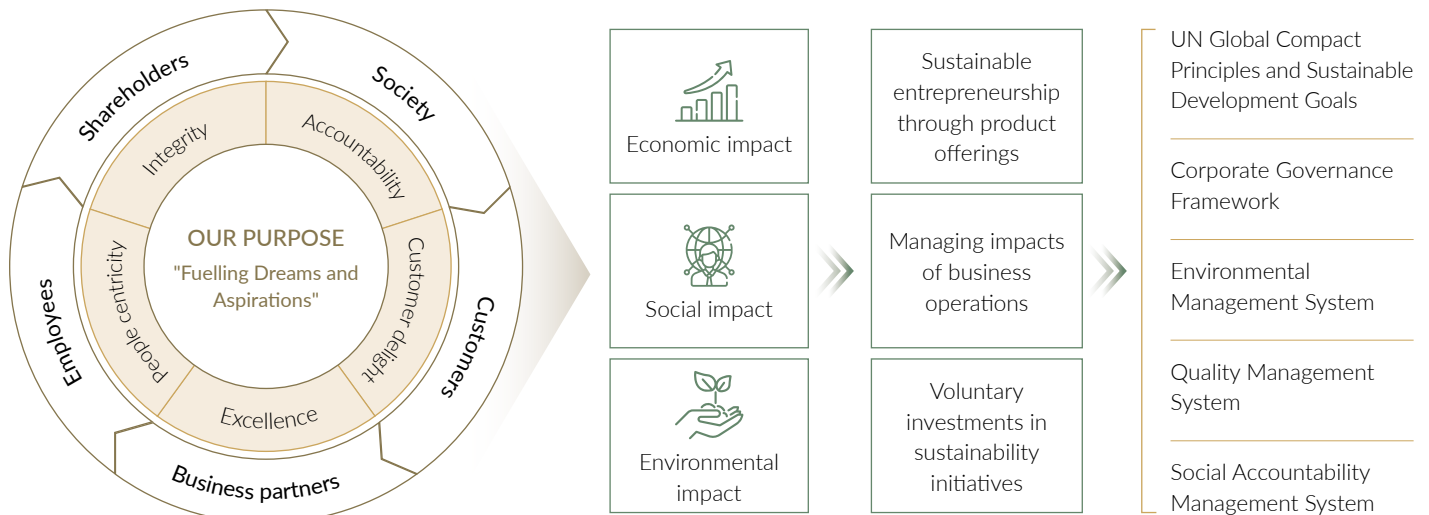
## Embedding sustainability into the heart of core business strategy

DIMO is pursuing responsible leadership for sustainability, which is reflected in our business model as part of our differentiation strategy. To support this approach, we manage the impacts of our business operations and undertake sustainable business opportunities that can be leveraged through our identity as a responsible corporate. This in turn, allows us to live up to the corporate purpose while co-creating value to the business and the community.

Our sustainability approach has three clearly defined, tangible steps of action: to foster sustainable entrepreneurship through our offerings, to embed responsible behaviour into our operations and to engage in voluntary investments for sustainability

The Board of Directors retains overall accountability for DIMO's sustainability strategy. Management systems for quality, environment, social accountability and safety are in place to ensure that this mandate is implemented. DIMO's sustainability committee, which is a subcommittee of the Group Management Committee, oversees the execution of this agenda. Figure 14 elaborates the sustainability management approach in detail.

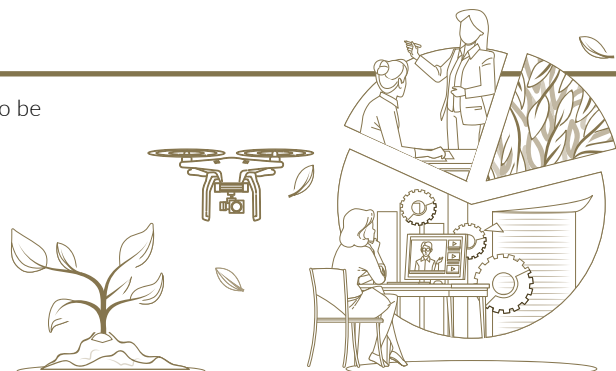
**Figure 14: DIMO's Way of responsibly managing social, economic and environment impact**



## DIMO'S SUSTAINABILITY AGENDA - 2025

DIMO remodelled its sustainability agenda with tangible objectives to be achieved in five years. The agenda covers areas mentioned below;

- ◉ Insetting carbon emission
- ◉ Increase women representation in decision making roles
- ◉ Create a positive impact on individuals through areas such as
  - Smart agriculture
  - Road safety
  - Vocational education



## BEING SUSTAINABLE: RESPONSIBLE LEADERSHIP

### Managing economic impact

Leadership in the creation of economic value for our shareholders and other stakeholders through Diversification, Differentiation and Collaboration strategies.

Creating an impact on the following SDGs,



#### Sustainable entrepreneurship through product offerings

##### Economically beneficial infrastructure projects

Modernisation project for Hutch Network Operation Centre (NOC) located in Walpola, one of Sri Lanka's latest network operation centres.

Importing country's first ever Variable Shunt Reactors (VSR) that will help improve the power quality and stability of the national grid.

#### Managing impacts of business operations

##### Monetised / Economic value creation and distribution

**Employees - Rs. 3,479 million**

(2019/20 - Rs. 3,520 million)

**Government - Rs. 2,208 million**

(2019/20 - Rs. 6,510 million)

**Lenders - Rs. 761 million**

(2019/20 - Rs. 1,418 million)

**Shareholders - Rs. 22 million**

(2019/20 - Rs. 22 million)

**Retained in the business - Rs. 972 million**

(2019/20 - Rs. 614 million)

##### Employment opportunities to Sri Lankans

Rs. 3,381 million Monetised resources distributed to employees.

Employment opportunities provided to over 1,800 Sri Lankans.

Recruiting 174 employees for the year ended 31st March 2021.

15,920 Hours of training for the employees during the year ended 31st March 2021, facilitating 21 hours of training per employee.

##### Efficient decision making through data management

DIMO's "Project Genesis" tier 1 Enterprise Resource Planning system that will strengthen our decision making through efficient and centralised data management.

### Managing social impact

Leadership in Committing towards conscious business conduct that creates value for the community through an innovative, systematic and sustainable approach.

Creating an impact on the following SDGs,



#### Sustainable entrepreneurship through product offerings

##### Products stewardship

Ethical marketing practices, compliance with regulations pertaining to product labelling, product safety and responsible aftercare.

Free vehicle inspection campaigns and driver training programs carried out across the country.

##### Uplifting national healthcare system

Ensuring smooth running of ventilators & other hi-tech medical equipment used to treat COVID-19 patients as well as other essential medical equipment.

Supplying the world's best - engineered healthcare brands, so that Sri Lankans can have access to the most advanced and reliable medical technologies available in the world.

Educating the medical fraternity on the latest technical developments in critical care sectors in line with global environmental concerns reducing unnecessary radiation and patient error.

#### Managing impacts of business operations

##### Adhering to management systems

Social Accountability Management System.

ISO 9001:2015 Accredited Quality Management System.

##### Compliance with rules and regulations

Ensured by DIMO's corporate governance framework. Zero non-compliances reported during the year ended 31st March 2021.

##### Ethical business conduct

DIMO Code of Ethics that discourages political donations, influencing public bodies, anti - corruption and unfair competition.

##### Ethical labour practices

Our 1,801 employees are treated with dignity and equality.

Labour practices are Governed by a Social Accountability Management System.

DIMO was adjudged "Sri Lanka's Healthiest Workplace" in 2020 (Large Company Category) by the AIA Vitality Study.



## Managing environmental impact

### How?

Integrated Management Systems including Social Accountability Management System and Quality Management System

Leadership in transformative change in managing emissions, climate resilience and environmentally conscious behaviour.

### How?

Environmental Management System and Quality Management System

Contributing to the SDGs shown below:



### Voluntary investments in sustainability initiatives

#### DIMO Academy for Technical Skills

DIMO Academy for Technical Skills (DATS) produced 530 graduates of whom 20 students are recruited annually for the Certificate course in Automobile Mechatronics (NVQ level 4) on a full – scholarship.

DATS has received the National Award for training excellence in the small-scale sector in 2021.

#### Diversity and inclusion

Commitment towards increasing Women in Decision Making and Unconventional roles, for gender equality.

### Sustainable entrepreneurship through product offerings

#### Renewable energy

Solar panels in our own premises; Weliveriya, DIMO 800 and Siyambalape and in Embilipitiya together generated 2,981,823 KWh renewable energy to national grid during the year

A partner for “Thambapavanie” – Sri Lanka's first ever government owned wind park which will provide 103.5MW to the national power supply

#### Water as a vital resource

Waste water management systems including The Greater Colombo Wastewater Management Project

Facilitating Monaragala – Buttala integrated water supply project to provide safe drinking water for over 8,000 families in Monaragala District

#### Sustainable farming

Research and Development in Agriculture in Agri – Techno Parks at Dambulla and Lindula

#### Energy efficient products

Customised illumination solutions with SLS certified LED technology including the DIMO Lumin product range

Reliable vehicles and construction machinery that comply with global standards and maximise efficiency such as Mercedes-Benz plug-in hybrids and Komatsu Hybrid Hydraulic Excavator

### Managing impacts of business operations

#### Water management

Rainwater harvesting systems at our key locations, collecting 181 m3 (Cubic meters) for the year ended 31st March 2021

DIMO's main workshops operate state-of-the art water treatment and recycling plants

#### Waste management

Waste management for non – hazardous solid waste by segregating, recycling and reusing responsibly according to our environmental management system with the support of CEA approved recyclers

Hazardous waste handled in compliance with Material Safety Data Sheets (MSDS) by trained employees

Zero hazardous chemical spillages reported during the year ended 31st March 2021

Ensuring the safe disposal of e – waste

#### Eco – efficient buildings

LEED gold certified buildings at DIMO 800 and Autolab for green design and constructions

#### Carbon insetting

Monitoring our carbon footprint using the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (revised edition)

### Voluntary investments in sustainability initiatives

Project Life – Kanneliya (2018 – 2021) seeking the restoration and biodiversity management of a degraded ten-hectare forest land in Kanneliya and develop a biodiversity credit accrual system in partnership with Biodiversity Sri Lanka and few other corporates.

Project Life to Reef – Rumassala (2017 – 2021) to restore the destroyed Bonavista coral reef in order to protect and enhance the biodiversity of the Rumassala ecosystem. So far, the project has planted over 2,000 coral fragments covering 3.5 acres.

Turtle Conservation Project – Panama (2012 – 2021) to conserve turtle eggs and release the hatchlings through better monitoring and awareness building in Panama lagoon. So far, the project has protected over 100,000 hatchlings.



Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

for the year ended 31 March 2021, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

## Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- Determining whether the criteria is appropriate to meet the needs of intended users, being the Company's members and any other intended users;
- Preparing and presenting of the Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations;
- Ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice;
- Identifying stakeholders and stakeholder requirements;
- Identifying material issues and reflecting those in the Company's Integrated Report; and
- Preparation and fair presentation of the Integrated reporting information; Design and implementation of internal controls that the company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error;
- Informing us of any known and/or contentious issues relating to the Integrated Report.
- Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- Establishing a process to ensure that the Company's personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the integrated report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations; and

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

Based on the limited assurance procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Integrated Report, as defined above.

PHF-5 and PHF-6 are primarily composed of members from the PHF-5 gene cluster, with the exception of member PHF-5-11, which is a PHF-6 homologue located on a separate linkage group (chromosome 5, 10q31).

Y.M. M. P. 1.2.3.4.5.6.7.8.9.10.11.12.13.14.15.16.17.18.19.20.21.22.23.24.25.26.27.28.29.30.31.32.33.34.35.36.37.38.39.40.41.42.43.44.45.46.47.48.49.50.51.52.53.54.55.56.57.58.59.60.61.62.63.64.65.66.67.68.69.70.71.72.73.74.75.76.77.78.79.80.81.82.83.84.85.86.87.88.89.90.91.92.93.94.95.96.97.98.99.100.101.102.103.104.105.106.107.108.109.110.111.112.113.114.115.116.117.118.119.120.121.122.123.124.125.126.127.128.129.130.131.132.133.134.135.136.137.138.139.140.141.142.143.144.145.146.147.148.149.150.151.152.153.154.155.156.157.158.159.160.161.162.163.164.165.166.167.168.169.170.171.172.173.174.175.176.177.178.179.180.181.182.183.184.185.186.187.188.189.190.191.192.193.194.195.196.197.198.199.200.201.202.203.204.205.206.207.208.209.210.211.212.213.214.215.216.217.218.219.220.221.222.223.224.225.226.227.228.229.230.231.232.233.234.235.236.237.238.239.240.241.242.243.244.245.246.247.248.249.250.251.252.253.254.255.256.257.258.259.260.261.262.263.264.265.266.267.268.269.270.271.272.273.274.275.276.277.278.279.280.281.282.283.284.285.286.287.288.289.290.291.292.293.294.295.296.297.298.299.300.301.302.303.304.305.306.307.308.309.310.311.312.313.314.315.316.317.318.319.320.321.322.323.324.325.326.327.328.329.330.331.332.333.334.335.336.337.338.339.340.341.342.343.344.345.346.347.348.349.350.351.352.353.354.355.356.357.358.359.360.361.362.363.364.365.366.367.368.369.370.371.372.373.374.375.376.377.378.379.380.381.382.383.384.385.386.387.388.389.390.391.392.393.394.395.396.397.398.399.400.401.402.403.404.405.406.407.408.409.410.411.412.413.414.415.416.417.418.419.420.421.422.423.424.425.426.427.428.429.430.431.432.433.434.435.436.437.438.439.440.441.442.443.444.445.446.447.448.449.450.451.452.453.454.455.456.457.458.459.460.461.462.463.464.465.466.467.468.469.470.471.472.473.474.475.476.477.478.479.480.481.482.483.484.485.486.487.488.489.490.491.492.493.494.495.496.497.498.499.500.501.502.503.504.505.506.507.508.509.510.511.512.513.514.515.516.517.518.519.520.521.522.523.524.525.526.527.528.529.530.531.532.533.534.535.536.537.538.539.540.541.542.543.544.545.546.547.548.549.550.551.552.553.554.555.556.557.558.559.560.561.562.563.564.565.566.567.568.569.570.571.572.573.574.575.576.577.578.579.580.581.582.583.584.585.586.587.588.589.590.591.592.593.594.595.596.597.598.599.600.601.602.603.604.605.606.607.608.609.610.611.612.613.614.615.616.617.618.619.620.621.622.623.624.625.626.627.628.629.630.631.632.633.634.635.636.637.638.639.640.641.642.643.644.645.646.647.648.649.650.651.652.653.654.655.656.657.658.659.660.661.662.663.664.665.666.667.668.669.670.671.672.673.674.675.676.677.678.679.680.681.682.683.684.685.686.687.688.689.690.691.692.693.694.695.696.697.698.699.700.701.702.703.704.705.706.707.708.709.710.711.712.713.714.715.716.717.718.719.720.721.722.723.724.725.726.727.728.729.730.731.732.733.734.735.736.737.738.739.740.741.742.743.744.745.746.747.748.749.750.751.752.753.754.755.756.757.758.759.760.761.762.763.764.765.766.767.768.769.770.771.772.773.774.775.776.777.778.779.780.781.782.783.784.785.786.787.788.789.790.791.792.793.794.795.796.797.798.799.800.801.802.803.804.805.806.807.808.809.810.811.812.813.814.815.816.817.818.819.820.821.822.823.824.825.826.827.828.829.830.831.832.833.834.835.836.837.838.839.840.841.842.843.844.845.846.847.848.849.850.851.852.853.854.855.856.857.858.859.860.861.862.863.864.865.866.867.868.869.870.871.872.873.874.875.876.877.878.879.880.881.882.883.884.885.886.887.888.889.890.891.892.893.894.895.896.897.898.899.900.901.902.903.904.905.906.907.908.909.910.911.912.913.914.915.916.917.918.919.920.921.922.923.924.925.926.927.928.929.930.931.932.933.934.935.936.937.938.939.940.941.942.943.944.945.946.947.948.949.950.951.952.953.954.955.956.957.958.959.960.961.962.963.964.965.966.967.968.969.970.971.972.973.974.975.976.977.978.979.980.981.982.983.984.985.986.987.988.989.990.991.992.993.994.995.996.997.998.999.1000.1001.1002.1003.1004.1005.1006.1007.1008.1009.1010.1011.1012.1013.1014.1015.1016.1017.1018.1019.1020.1021.1022.1023.1024.1025.1026.1027.1028.1029.1030.1031.1032.1033.1034.1035.1036.1
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- ◉ Informing us of any changes in the Company's operations since the date of our most recent assurance report on the Integrated reporting information.

### Our responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

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

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

### Limited assurance on the Integrated Report

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

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Report;
2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting;
3. Reviewing the description of the Company's strategy and how the Company creates value in the Report and enquiring of management as to whether the description accurately reflects their understanding;
4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Report;
5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders;
6. Reviewing Board minutes to ensure consistency with the content of the Report;
7. Reviewing the Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement; and

8. Obtaining a letter of representation from management dated 28th May 2021 on the content of the Company's Integrated Report.

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

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

### Limitations of our review

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

### Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

### Restriction of use of our report

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

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

Chartered Accountants

Colombo  
28th May 2021





# ANALYSING OUR PERFORMANCE

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 the Directors and Independent Auditors.

64	Financial Calendar
65	Annual Report of the Board of Directors
69	Director's Interests in Contracts with the Company
70	Board of Directors' Statement on Internal Controls
71	Statement of Directors' Responsibility for Financial Statements
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137	Section 5 – Other Disclosures

## FINANCIAL CALENDER - 2020/21

### Date

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

Three months ended 30th June 2020	14th August 2020
Six months ended 30th September 2020	16th November 2020
Nine months ended 31st December 2020	15th February 2021
Twelve months ended 31st March 2021	31st May 2021

#### Dividends

First and final dividend for 2019/20	29th January 2021
First and final dividend for 2020/21	29th June 2021

Annual Report – Financial year ended 31st March 2020	03rd June 2021
76th Annual General Meeting to be held on	28th June 2021

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## GENERAL

The Board of Directors take pleasure in presenting to the shareholders the Integrated Annual Report of the Company for the financial year ended 31st March 2021 comprising the Audited Financial Statements, Chairman's Message, Statements of Responsibility, Auditors' Report, Independent Assurance on Non-Financial Reporting and other relevant information covered in "Positioned for value creation", "Reflecting on value created" and "Gearing for future value creation" sections of the annual report.

The information table on 'Disclosures required by the Companies Act No. 07 of 2007' appearing on page 142 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 28th May 2021. 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 21.

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 82.

## STATEMENTS OF ASPIRATION, PURPOSE AND VALUES

The Company's statement of purpose and values are available on page 16. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving the 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 twelve members as at 31st March 2021. Mr. A.N. Ranasinghe, who was a member of the Board as at 31st March 2021, retired w.e.f. 15th May 2021. 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 153.

## New Appointments and Retirement of Directors

The following Director was appointed to the Board with effective from 01st August 2020.

Name of the Director	Executive/Non-Executive status
Mr. J. M. De Silva	Independent Non-Executive

The following Directors retired from the Board on the dates indicated;

Name of the Director	Executive/Non-Executive status	Date of the Retirement
Mr. R. Seevaratnam	Independent Non-Executive	31st July 2020
Mr. A. N. Algama	Executive	08th March 2021
Mr. A. N. Ranasinghe	Executive	15th May 2021

## Senior Independent Director

With the retirement of Mr. R. Seevaratnam w.e.f. 31st July 2020, Mr. A. D. B. Talwatte was appointed as a Senior Independent Director to the Board w.e.f. 01st August 2020.

## RETIREMENT AND RE-ELECTION OF DIRECTORS

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

Mr. J. M. De Silva who was appointed as a Director during the financial year 2020/21, retires in terms of the Article 71 of the Articles of Association of the Company, is eligible for election at the forthcoming Annual General Meeting.

The agenda for the Annual General Meeting includes three separate ordinary resolutions to be taken up in terms of Article 71 to re-appoint Mr. A.R. Pandithage, Mr. S.C. Algama and Mr. A.M. Pandithage, who are over 70 years of age.

## REVIEW OF PERFORMANCE

A review of performance and future outlook of the Group is available in the Message from the Chairman (pages 5 to 7), Strategic review by the Group Chief Executive Officer and Reflecting on value created section appearing on pages 8 to 9 and pages 36 to 43.

## Incorporation of Subsidiaries during the year

The Company incorporated two subsidiaries during the year under review to diversify its business operation.

On 13th July 2020, the Company incorporated DIMO Lifeline (Private) Limited with a 75% controlling interest to carry out business of providing solutions for cardiac rhythm management, interventional cardiac operations and related therapy. The said company has not issued shares during the financial year under review.

Diesel and Motor Engineering PLC also incorporated Moveflex (Private) Limited on 10th February 2021, a fully owned subsidiary, for the purpose of provision of transport facilities. The said company also has not issued shares during the financial year under review.



# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## 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 <https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf>.

## 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 2021 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 76 to 138.

## FINANCIAL RESULTS AND APPROPRIATIONS

### Turnover

The total gross Group turnover generated by the six business segments was Rs. 30,819 million (2019/20 - Rs. 34,558 million), while the turnover of the Company was Rs. 24,954 million (2019/20 - Rs. 28,613 million). A segment wise analysis is given in Note 4.2 appearing on pages 92 to 93.

### Profit and Appropriations

The group profit after tax and group profit attributable to equity holders of the parent for the year were Rs. 536 million (2019/20 - Rs. 201 million) and Rs. 487 million (2019/20 - Rs. 195 million) respectively, whilst the profit after tax of the Company was Rs. 448 million (2019/20 - Rs. 268 million).

The Group total comprehensive income attributable to parent was Rs. 2,585 million (2019/20 - Rs. 260 million) and the Company's total comprehensive income for the year was Rs. 2,524 million (2019/20 - Rs. 323 million).

### Dividend and Reserves

A first and final dividend of Rs. 2.50 per share for the year ended 31st March 2020 was approved by the Board on 30th December 2020 and paid on 29th January 2021.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the first & final dividend proposed. A solvency certificate has been issued by the Board of Directors in respect of the first and final dividend of Rs. 12.50 per share proposed to be paid on or before 29th June 2021.

The Group Reserve as at 31st March 2021 amounts to Rs. 14,117 million (2018/19 - Rs. 11,554 million). The composition of the reserves is shown in the Statement of Changes in Equity in the Financial Statements.

## INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

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

Dr. H. Cabral completed nine years in office as Non- Executive Director on 30th September 2015.

The Board recognises that Dr. H. Cabral has acted in an independent manner over the years bringing his independent judgement upon matters relating to the Board Committees and the Board. The Board is of the opinion that there is no reason to believe that his status as Independent Director has been impaired in any manner due to their tenure in office. Having taken into account all relevant aspects, the Board determined that Dr. H. Cabral continue as 'Independent Non-Executive Director' of the Company.

## BOARD COMMITTEES

The Board of Directors has appointed four Committees to assist the Board. 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 Practices on Corporate Governance - 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The terms of reference of each committee is set by the Board.

Mr. J. M. De Silva was appointed as a member of the Audit Committee, Nomination Committee, Remuneration Committee and Related Party Transactions Review Committee with effect from 01st August 2020. Mr. J. M. De Silva is the Chairman of the Related Party Transactions Review Committee.

## BOARD AND BOARD COMMITTEE MEETINGS

The number of Board meetings held and the number of meetings attended by the Directors are given on page 25. The number of Board Committee meetings held and the attendance of members are given in the respective Committee Reports appearing on pages 29 to 30, 31, 32 and 33.

## 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 meeting 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 141 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. J. M. De Silva, Mr. A. D. B. Talwatte and Mr. A.N. Ranasinghe (Retired w.e.f. 15th May 2021), who are Directors of the Company did not hold any shares of the Company as at 31st March 2021.

## 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 69 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 2021, 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 2020 audited Financial Statements, which required additional disclosures in the 2020/21 Annual Report, as per 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 parties related to them in any company where they hold office or through ownership. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

## ACCOUNTING POLICIES

The significant Accounting Policies adopted by the Group and the Company are given on pages 89 to 136.

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 2021 and of their performance for the year ended on that date.

## INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

The Company's Independent External Auditors, Messrs KPMG, Chartered Accountants, who were re-appointed by a resolution passed at the last Annual General Meeting, have expressed their opinion which appears on page 72 to 75 of this Annual Report.

The details of their remuneration are given in Note 4.5 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any relationship with the Company, or any of its subsidiaries. The Auditors do not have any interest in contracts with the Company, or any of its subsidiaries.

Messrs KPMG, Chartered Accountants, have made themselves available for re-appointment and having determined their suitability for re-appointment, the Board proposes that they be appointed as the Independent Auditor until the conclusion of the next Annual General Meeting.

## INDEPENDENT LIMITED ASSURANCE ON NON-FINANCIAL INFORMATION

Messrs KPMG, Chartered Accountants, has also provided a limited assurance on integrated reporting and sustainability indicators and their opinion therein appears on page 60 to 61 and 143 to 144 of this Annual Report.

## 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 70) and on pages 54 to 56.

## 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.

## ENTERPRISE GOVERNANCE

Pages 22 to 27 shows the governance structure of the Group and the manner in which the Board plays its stewardship role.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## RESPONSIBLE CORPORATE BEHAVIOUR

The Board is committed to and considers it a key priority to act responsibly towards its stakeholders and to manage economic, environmental and social impacts during value creation activities, efficiently and effectively.

## MATERIAL FORESEEABLE RISK FACTORS

Information pertaining to material foreseeable risk factors are discussed on pages 54 to 56 of this annual report.

## EMPLOYMENT

Pages 50 to 51 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 140 to 141 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 152 of this Report

## DONATIONS

The Group and the Company made donations during the year amounting to Rs. 4.8 million and Rs. 4.1 million respectively (2019/20 - Group: Rs. 2.9 million, Company - Rs. 2.4 million).

## PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group and the Company incurred Rs. 396 million and Rs. 314 million respectively (2019/20 - Group: Rs. 464 million, Company: Rs. 351 million) on acquisition of property, plant and equipment, details of which are available in Note 4.9 to the Financial Statements.

Specific information on extent, locations, valuations and number of buildings on the Company's land holdings are given in Note 4.9.1 to the Financial Statements.

The investment in intangible assets by the Group during the year was Rs. 17.7 million whilst the investment in intangible assets by the Company was Rs. 17.2 million (2019/20 - Group: Rs. 5.1 million, Company: Rs. 5.1 million).

## MARKET VALUE OF FREEHOLD LAND

A qualified independent valuer carried out a revaluation of the Company's freehold land on 31st March 2021 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 2021 amounted to Rs. 425 million (2019/20- 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.

On 07th May 2021, the Board of Directors decided to capitalize Rs. 195 million of its reserves as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share, subject to approval from the Colombo Stock Exchange (CSE). The CSE has approved the Board's decision on 20th May 2021.

## 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 57 to 59.

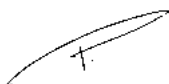
## EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 5.3 to the Financial Statements on page 138.

## ANNUAL GENERAL MEETING

Taking into consideration the current regulations/movement restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors decided to hold the Seventy Sixth Annual General Meeting (AGM) as a Virtual Meeting on 28th June 2021 at 9.00 a.m., in line with the Guidelines issued by Colombo Stock Exchange (CSE) of a hosting of virtual AGM.

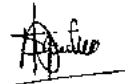
By order of the Board of Directors,



**A. R. Pandithage**  
Chairman/Managing Director



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



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

Colombo  
28th May 2021

# 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 137 to 138. In addition, the Company carries out transactions in the ordinary course of business with entities where the Director of the Company is a Director of such entities as detailed below.

Director /Company	Relationship to Company	Nature of the transaction	Outstanding as at 31st March 2021 Receivables/(Payables) Rs. '000	Outstanding as at 31st March 2020 Receivables/(Payables) Rs. '000
<b>Mr. A.M Pandithage</b>				
Advantis Projects & Engineering (Pvt) Ltd	Director	Repairing and servicing of vehicles	455	-
		Sales of vehicles	34,125	4,025
		Sales of spare parts	950	1,743
Alumex PLC*	Director	Sales of spare parts	135	803
		Repairing and servicing of vehicles	138	15
Delmege Forsyth & Co Ltd	Director	Repairing and servicing of vehicles	19	-
Dipped Products PLC	Director	Repairing and servicing of vehicles	121	3
Fentons Ltd	Director	Vehicle Hiring	6,621	21,115
Haycarb PLC	Director	Repairing and servicing of vehicles	1,119	1,176
		Sales of spare parts	10	-
Hayleys Agro Fertilizers (Pvt) Ltd.	Director	Fertilizer loan	(48,572)	-
Hayleys Agriculture Holdings Limited	Director	Repairing and servicing of vehicles	27	-
		Fertilizer loan	(10,863)	-
Hayleys Aventura (Private) Limited	Director	Repairing and servicing of vehicles	-	85
		Vehicle Hiring	1,581	834
Hayleys Fabric PLC	Director	Repairing and servicing of vehicles	-	279
Hayleys Free Zone Limited	Director	Repairing and servicing of vehicles	1,554	106
Hayleys PLC*	Director	Repairing and servicing of vehicles	70	230
IML Delivery Systems (Pvt) Ltd	Director	Repairing and servicing of vehicles	129	-
		Sales of spare parts	16	-
Kelani Valley Plantations PLC	Director	Repairing and servicing of vehicles	72	109
		Sales of spare parts	773	-
Logistics International Limited	Director	Repairing and servicing of vehicles	163	-
Logiwiz Ltd	Director	Repairing and servicing of vehicles	992	2,150
		Sales of vehicles	-	633
		Vehicle Hiring	586	-
Martin Bauer Hayleys (Pvt) Ltd	Director	Repairing and servicing of vehicles	166	-
Mountain Hawk Express (Pvt) Ltd	Director	Freight Services	(49)	(19)
Presto Lanka Engineers	Director	Sales of spare parts	-	8
Singer ( Sri Lanka) PLC	Director	Repairing and servicing of vehicles	2,201	1,118
		Sales of spare parts	269	254
		Sales of retail products	821	-
		Sales of vehicles	-	5,304
Sri Lanka Shipping Co Ltd	Director	Repairing and servicing of vehicles	1,497	-
Talawakelle Tea Estates PLC	Director	Repairing and servicing of vehicles	336	117
Toyo Cushion Lanka (Pvt) Ltd	Director	Repairing and servicing of vehicles	6	-
Uni Dil Packing Limited	Director	Repairing and servicing of vehicles	-	24
<b>Mr. A.N. Ranasinghe (Retired w.e.f. 15th May 2021)</b>				
Hemas Manufacturing (Pvt) Ltd	Director	Repairing and servicing of vehicles	116	-
<b>Mr. A.D.B. Talwatte</b>				
Cargills Ceylon PLC	Director	Sales of retail products	15	-
Central Finance Co PLC	Director	Repairing and servicing of vehicles	264	1,250
		Sales of spare parts	62	209
		Sales of vehicles	-	6,140
Ceylon Hospitals PLC	Director	Sales of spare parts	17	136
Chevron Lubricants Lanka PLC	Director	Purchase of Lubricants	(607)	53
		Repairing and servicing of vehicles	120	-
Sunshine Healthcare Lanka Limited	Director	Sales of spare parts	157	-
Tokyo Cement Company (Lanka) PLC**	Director	Repairing and servicing of vehicles	1,852	1,811
		Sales of spare parts	14	203
<b>Dr. Harsha Cabral</b>				
Hatton National Bank PLC	Director	Sales of Retail products	189	111
		Sales of vehicles	32,210	18,558
Tokyo Cement Power (Lanka) Ltd	Director	Repairing and servicing of vehicles	299	110
		Sales of spare parts	-	187
Tokyo Eastern Cement Company (Private) Limited	Director	Repairing and servicing of vehicles	227	857
		Sales of spare parts	-	20
Tokyo Super Mix (Pvt) Ltd.	Director	Repairing and servicing of vehicles	564	588
		Sales of spare parts	(18)	-

\* Dr. Harsha Cabral is also a Director of the said Companies listed under the name of Mr. A.M Pandithage

\*\* Dr. Harsha Cabral is Director of the said Company listed under the name of Mr. A.D.B. Talwatte

# 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 or losses.

## KEY INTERNAL CONTROL PROCESSES

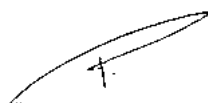
The key processes that have been established by the Board in reviewing the adequacy and integrity of the system of internal controls include the following:

- ◉ The Board Committees and 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 the 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 29 to 30.

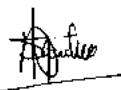
## CONFIRMATION

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 for external purposes 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 2021 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

Colombo  
28th May 2021

# 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 presents 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 72 to 75.

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 Financial Statements comprising of Basis of Accounting, (Section 3), Specific Accounting Policies (Section 4) and Other Disclosures (Section 5)

The Directors are also required to place these Financial Statements before the Annual General Meeting of the shareholders.

The Directors are also responsible, under section 148 of the Companies Act, to ensure that proper accounting records are kept to enable, 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 are also responsible for taking reasonable measures to safeguard the assets of the Group and the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

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

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2022 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 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/Secretary/Chief Financial Officer

Colombo  
28th May 2021

# INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## TO THE SHAREHOLDERS OF DIESEL AND MOTOR ENGINEERING PLC

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of Diesel and Motor Engineering PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at March 31, 2021, 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 76 to 138.

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, 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Revenue recognition

See note 3.7 for Use of Judgments and Estimates and note 4.1 for accounting policy and information

#### 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.

Risk Description	Our Response
<p>The Group carry out its business operations in different sectors which result in high volume of revenue transactions in different revenue streams which requires judgment in some of the revenue transactions in order to determine the timing and the amount of revenue recognition. Further, in accordance with Sri Lanka Auditing Standards (SLAuS), there is a presumed fraud risk relating to revenue recognition.</p> <p>Revenue recognition of certain items of the Group and the Company require judgement which will increase the risk of material misstatement of revenue, deferred income and other related balances.</p> <p>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.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>Testing key controls involved in the revenue recognition process including the key IT controls.</li> <li>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 including testing on sample basis of the;             <ul style="list-style-type: none"> <li>Revenue recognition on the service contracts.</li> <li>Recognition of deferred income on future performance obligations and on the variable considerations.</li> <li>Cut-off procedures on revenue and verification of the supporting information for the revenue transactions.</li> </ul> </li> <li>Reviewing the adequacy, relevance and accuracy of the accounting policies and disclosures in the financial statements.</li> </ul>

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

M R Mular FCA, T J S Rajkumar FCA, M S S K B Jayasekera ACA, G A U Karunaratne FCA, H H Rajan FCA, A W R P Abanekoon ACA, P Y S Perera FCA, W W C Perera FCA, W K D C Abeyathne FCA, R M C B Rajapakse FCA, V N K Shanmugan ACA, C P Jayathilake FCA, Ms. S. Joseph FCA, S T D I Perera FCA, Ms R K D T N Rodrigo FCA, Ms C I K N Perera ACA, Principals: S. K. I. Perera FCA, J. K. I. L. B. Attorney-at-Law, H. S. Goonewardene ACA, M. S. P. M. K. Sumanasekera FCA, W. A. A. Yegorosekera FCA, ACMA, MRICs





### Provision for Impairment of Trade Receivables

See note 3.7 for Use of Judgments and Estimates and note 4.16 for accounting policy and information

Risk Description	Our Response
<p>The Group and Company have recognized a total impairment provision of Rs. 1,124 million and Rs. 953 million on total trade receivables of Rs. 9,360 million and Rs. 7,091 million respectively.</p> <p>Impairment allowances represent management's best estimate of the expected credit losses on trade receivables as at the reporting date.</p> <p>Further, COVID-19 outbreak resulted in loss of income for majority of the corporates as well as for the individuals which increases the credit risk and the outbreak significantly affected on the macro economic forecasts which affects the recoverability of the receivables.</p> <p>The calculation of impairment allowances is inherently judgemental for any institution. The Group uses both specific assessment and collective assessment for impairment and specific receivables are individually assessed for impairment by considering objective evidence and based on the expected realization of those balances. Collective impairment allowances are calculated using statistical models concurrent with the historical information on the probability of default and the timing of recoveries. The inputs to these models are subject to management judgment and model overlays are often required.</p> <p>We have identified, provision for impairment of trade receivables as a key audit matter due the complexity and subjectivity involved in determining the provision which is based on management judgement.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> <li>Testing the design, implementation and operating effectiveness of the key controls management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision.</li> <li>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.</li> <li>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 performing re-computation over the computation.</li> <li>Assessing the completeness and the adequacy of the accounting policy over the impairment and related disclosures.</li> </ul>

### Revaluation of freehold lands

See note 3.7 for Use of Judgments and Estimates and 4.9 for accounting policy and information

Risk Description	Our Response
<p>The Group and the Company have recorded a revaluation gain of Rs. 2,424 million and Rs. 2,399 million respectively by revaluing the freehold land during the year. These properties, which are stated at revalued amounts, are significant to the Group and the Company in terms of their values.</p> <p>The Group and the Company have engaged a professional valuer to determine the revalued amounts of the freehold lands in accordance with accepted valuation principles.</p> <p>Estimating the fair value is a complex process which involves a significant degree of judgment and estimates in respect of price per perch of the land, diversity of locations and nature of the lands.</p> <p>We identified assessing the valuation of lands owned by the Group and the Company as a key audit matter because of the complexity of the valuation, significant judgment and estimation.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>Assessing the objectivity, independence, competence and qualifications of the external valuer.</li> <li>Comparison of the key assumptions used against externally published market comparable or industry data available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry.</li> <li>Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT



## 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 Company's and the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- ◉ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◉ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- ◉ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◉ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's/ Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ◉ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◉ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

A handwritten signature in black ink, appearing to read 'H. A. S.', written over a horizontal line.

Chartered Accountants

Colombo, Sri Lanka  
28th May 2021

## SECTION 1 - FINANCIAL STATEMENTS

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

### CONSOLIDATED FINANCIAL STATEMENTS

The financial statements for the year ended 31st March 2021 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 Corporate Information (Section 2), 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 65 to 68, 71 and 78 respectively, of this Annual Report.

### AUTHORISATION OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

The Financial Statements for the year ended 31st March 2021, were authorised for issue by the Board of Directors on 28th May 2021.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group			Company		
		2021 Rs.'000	2020 Rs.'000	Change %	2021 Rs.'000	2020 Rs.'000	Change %
Revenue	4.1	30,819,014	34,557,871	(11)	24,954,469	28,612,775	(13)
Sales taxes		-	(172,968)	(100)	-	(124,184)	(100)
Net revenue		30,819,014	34,384,903	(10)	24,954,469	28,488,591	(12)
Cost of sales		(23,351,725)	(27,053,148)	(14)	(19,034,262)	(22,472,010)	(15)
Gross profit		7,467,289	7,331,755	2	5,920,207	6,016,581	(2)
Other operating income	4.3	119,156	158,588	(25)	282,720	260,032	9
Selling and distribution expenses		(772,374)	(686,736)	12	(626,291)	(591,326)	6
Provision for Impairment of trade receivables	4.16.1	(158,313)	(323,472)	(51)	(155,371)	(245,022)	(37)
Administrative expenses		(5,276,484)	(5,031,901)	5	(4,245,781)	(4,075,781)	4
Operating profit		1,379,274	1,448,234	(5)	1,175,484	1,364,484	(14)
Finance income		93,458	237,669	(61)	75,006	217,705	(66)
Finance costs		(733,589)	(1,390,042)	(47)	(609,538)	(1,245,260)	(51)
Net finance costs	4.4	(640,131)	(1,152,373)	(44)	(534,532)	(1,027,555)	(48)
Share of loss of equity-accounted investee, net of tax	4.12.5	(19,032)	(16,334)	17	(19,032)	(16,334)	17
Profit before tax	4.5	720,111	279,527	158	621,920	320,595	94
Income tax expense	4.6	(183,845)	(78,383)	135	(173,868)	(52,874)	229
Profit for the year		536,266	201,144	167	448,052	267,721	67
Other Comprehensive Income							
Items that will not be reclassified to profit or loss							
Remeasurement of defined benefit obligation	4.23.1	47,295	60,870	(22)	45,727	69,817	(35)
Deferred tax charge on actuarial gain	4.24.2	(11,351)	(17,044)	(33)	(10,974)	(19,549)	(44)
Revaluation of freehold land	4.9	2,424,015	-	100	2,399,072	-	100
Deferred tax charge on Land revaluation	4.24.2	(354,122)	-	(100)	(351,207)	-	(100)
Equity investments at FVOCI – net change in fair value		(856)	(527)	62	(852)	(518)	64
		2,104,981	43,299	4,761	2,081,766	49,750	4,084
Items that are or may be reclassified subsequently to profit or loss							
Foreign operations- foreign currency translation differences	4.21.1	(6,735)	26,501	(125)	(5,647)	5,213	(208)
		(6,735)	26,501	(125)	(5,647)	5,213	(208)
Total other comprehensive income, net of tax		2,098,246	69,800	2,906	2,076,119	54,963	3,677
Total comprehensive income for the year		2,634,512	270,944	872	2,524,171	322,684	682
Profit attributable to:							
Owners of the Company		486,713	195,011	150	448,052	267,721	67
Non-controlling interest		49,553	6,133	708	-	-	-
		536,266	201,144	167	448,052	267,721	67
Total comprehensive income attributable to:							
Owners of the Company		2,585,163	260,357	893	2,524,171	322,684	682
Non-controlling interest		49,349	10,587	366	-	-	-
		2,634,512	270,944	872	2,524,171	322,684	682
Basic and diluted earnings per share (Rs.)	4.7	52.72	21.12		48.54	29.00	

Figures in brackets indicate deductions.

The Notes appearing on pages 82 to 138 form an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31st March		Group		Company	
		2021	2020	2021	2020
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets					
Property, plant and equipment	4.9	13,858,789	11,506,819	13,433,899	11,080,460
Right-of-use assets	4.10	479,854	478,010	405,769	462,001
Intangible assets and goodwill	4.11	145,127	128,720	20,762	11,097
Investments in subsidiaries	4.12.1	-	-	532,808	564,751
Equity accounted investee	4.12.5	5,285	26,620	5,285	26,620
Equity Securities	4.14	5,605	6,461	5,537	6,389
Deferred tax assets	4.24	99,795	97,341	-	-
Total non-current assets		14,594,455	12,243,971	14,404,060	12,151,319
Inventories	4.15	6,198,818	8,007,852	4,386,496	6,878,269
Trade and other receivables	4.16	8,243,038	8,207,424	6,144,227	5,475,649
Other current assets	4.17	1,761,864	2,091,929	1,243,356	1,844,113
Current tax asset	4.29	100,102	306,663	-	236,295
Amounts due from related parties	4.30.1	18,642	17,801	27,271	149,831
Cash and cash equivalents	4.18	1,199,232	837,650	848,834	570,503
Total current assets		17,521,696	19,469,319	12,650,184	15,154,660
Total assets		32,116,151	31,713,290	27,054,244	27,305,979
Equity and Liabilities					
Equity					
Stated capital	4.19	425,297	425,297	425,297	425,297
Other components of equity	4.21	6,140,005	4,077,499	6,098,741	4,057,375
Revenue reserves	4.20	7,976,680	7,476,214	6,647,374	6,186,760
Equity attributable to owners of the Company		14,541,982	11,979,010	13,171,412	10,669,432
Non-controlling interests	4.12.4	419,270	369,921	-	-
Total equity		14,961,252	12,348,931	13,171,412	10,669,432
Long-term borrowings	4.22.1	1,085,386	290,206	1,079,000	290,000
Lease liabilities	4.22.3	395,451	418,857	321,019	395,875
Employee benefits	4.23	798,008	774,909	715,839	705,369
Deferred tax liabilities	4.24	1,893,977	1,677,504	1,893,977	1,677,460
Contract liabilities	4.25.1	369,079	97,155	52,899	54,478
Total non-current liabilities		4,541,901	3,258,631	4,062,734	3,123,182
Trade payables	4.27	5,016,289	2,601,473	4,209,461	2,213,340
Other current liabilities	4.28	2,536,444	1,530,557	1,726,029	922,301
Current portion of long-term borrowings	4.22.1	403,217	202,272	383,585	200,892
Current portion of lease liabilities	4.22.3	140,543	80,990	102,086	57,096
Current portion of contract liabilities	4.25.1	814,131	706,666	455,590	335,690
Deferred income	4.25.2	546,521	184,224	546,521	184,224
Current tax liability	4.29	93,108	5,341	79,276	-
Short-term borrowings	4.22.2	3,062,745	10,794,205	2,274,154	9,589,899
Amounts due to related parties	4.30.1	-	-	43,396	9,923
Total current liabilities		12,612,998	16,105,728	9,820,098	13,513,365
Total liabilities		17,154,899	19,364,359	13,882,832	16,636,547
Total equity and liabilities		32,116,151	31,713,290	27,054,244	27,305,979
Net assets per share		1,638.27	1,349.53	1,483.86	1,201.99

## Certification

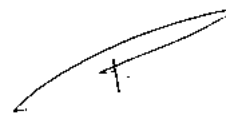
These Financial Statements as set out on pages 76 to 138 have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



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

The Board of Directors is responsible for 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

28th May 2021  
Colombo

The Notes appearing on pages 82 to 138 form an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Note	Other Components of Equity				Revenue Reserves		Non-controlling interests	Total
		Stated Capital	Revaluation Reserve	Fair value Reserve	Foreign currency translation reserve	General Reserve	Retained Earnings		
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>									
As at 01st April 2019		425,297	4,042,268	5,530	8,181	5,392,290	1,867,278	339,607	12,080,451
Capital contribution from non-controlling interest		-	-	-	-	-	-	19,727	19,727
Profit for the year		-	-	-	-	-	195,011	6,133	201,144
Other comprehensive income, net of tax		-	-	(527)	22,047	-	43,826	4,454	69,800
<b>Total comprehensive income</b>		-	-	(527)	22,047	-	238,837	10,587	270,944
Transactions with owners of the Company									
contributions and distributions									
Dividends to equity owners									
2018/19 Final dividend	4.8	-	-	-	-	-	(22,191)	-	(22,191)
<b>Total contributions and distributions</b>		-	-	-	-	-	(22,191)	-	(22,191)
<b>As at 31st March 2020</b>		<b>425,297</b>	<b>4,042,268</b>	<b>5,003</b>	<b>30,228</b>	<b>5,392,290</b>	<b>2,083,924</b>	<b>369,921</b>	<b>12,348,931</b>
As at 01st April 2020		425,297	4,042,268	5,003	30,228	5,392,290	2,083,924	369,921	12,348,931
Capital contribution from non-controlling interest		-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	486,713	49,553	536,266
Other comprehensive income, net of tax		-	2,069,893	(856)	(6,531)	-	35,944	(204)	2,098,246
<b>Total comprehensive income</b>		-	2,069,893	(856)	(6,531)	-	522,657	49,349	2,634,512
Transactions with owners of the Company									
contributions and distributions									
Dividends to equity owners									
2019/20 Final dividend	4.8	-	-	-	-	-	(22,191)	-	(22,191)
<b>Total contributions and distributions</b>		-	-	-	-	-	(22,191)	-	(22,191)
<b>As at 31st March 2021</b>		<b>425,297</b>	<b>6,112,161</b>	<b>4,147</b>	<b>23,697</b>	<b>5,392,290</b>	<b>2,584,390</b>	<b>419,270</b>	<b>14,961,252</b>
<b>Company</b>									
As at 01st April 2019		425,297	4,042,268	5,457	4,955	4,929,464	961,498	-	10,368,939
Total Comprehensive Income									
Profit for the year		-	-	-	-	-	267,721	-	267,721
Other comprehensive income, net of tax		-	-	(518)	5,213	-	50,268	-	54,963
<b>Total comprehensive income</b>		-	-	(518)	5,213	-	317,989	-	322,684
Transactions with owners of the Company									
contributions and distributions									
Dividends to equity owners									
2018/19 Final dividend	4.8	-	-	-	-	-	(22,191)	-	(22,191)
<b>Total contributions and distributions</b>		-	-	-	-	-	(22,191)	-	(22,191)
<b>As at 31st March 2020</b>		<b>425,297</b>	<b>4,042,268</b>	<b>4,939</b>	<b>10,168</b>	<b>4,929,464</b>	<b>1,257,296</b>	<b>-</b>	<b>10,669,432</b>
As at 01st April 2020		425,297	4,042,268	4,939	10,168	4,929,464	1,257,296	-	10,669,432
Total Comprehensive Income									
Profit for the year		-	-	-	-	-	448,052	-	448,052
Other comprehensive income, net of tax		-	2,047,865	(852)	(5,647)	-	34,753	-	2,076,119
<b>Total comprehensive income</b>		-	2,047,865	(852)	(5,647)	-	482,805	-	2,524,171
Transactions with owners of the Company									
contributions and distributions									
Dividends to equity owners									
2019/20 Final dividend	4.8	-	-	-	-	-	(22,191)	-	(22,191)
<b>Total contributions and distributions</b>		-	-	-	-	-	(22,191)	-	(22,191)
<b>As at 31st March 2021</b>		<b>425,297</b>	<b>6,090,133</b>	<b>4,087</b>	<b>4,521</b>	<b>4,929,464</b>	<b>1,717,910</b>	<b>-</b>	<b>13,171,412</b>

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, excluding the impact arising from impairment of assets.

Figures in brackets indicate deductions.

The Notes appearing on pages 82 to 138 form an integral part of these Financial Statements.



# STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group	2020	Company	2020
		2021		2021	
		Rs:'000	Rs:'000	Rs:'000	Rs:'000
<b>Cash Flows from Operating Activities</b>					
Profit before taxation		720,111	279,527	621,920	320,595
<b>Adjustments for</b>					
Depreciation on property, plant and equipment	4.9	435,840	417,575	339,208	354,240
Amortisation of intangible assets	4.5	10,688	7,692	7,489	7,692
Depreciation of right of use assets	4.10	115,825	117,985	94,232	95,222
Reversal of impairment of investments in subsidiaries	4.12.2	-	-	31,944	-
Gains on sale of property, plant and equipment	4.3	(10,678)	(14,022)	(10,845)	(10,581)
De-recognition of capital work-in-progress	4.9	6,806	64,887	5,565	64,542
Interest expenses	4.4	733,589	1,390,042	609,538	1,245,260
Interest income	4.4	(30,622)	(37,588)	(31,994)	(39,542)
Dividend income	4.3	(191)	(292)	(191)	(22,399)
Share of loss of equity-accounted investee, net of tax	4.12.5	19,032	16,334	19,032	16,334
Provision for impairment of trade receivables	4.5	158,313	323,472	155,371	245,022
Provision for/(reversal of) slow moving inventories	4.5	(17,531)	69,619	(26,464)	19,336
Provision for employee benefits obligation excluding actuarial gain	4.5.1	140,377	141,479	124,456	128,512
		2,281,559	2,776,710	1,939,261	2,424,233
<b>Changes in working capital</b>					
Decrease in inventories		1,826,565	282,979	2,518,237	377,906
Increase in trade and other receivables		(193,927)	(1,556,677)	(823,949)	(887,759)
Decrease/(increase) in other current assets		323,406	(490,712)	594,098	(487,605)
(Increase)/decrease in amounts due from related parties		(841)	403	122,560	(14,185)
Increase in trade payables		2,414,816	696,000	1,996,121	730,860
Increase/(decrease) in other current liabilities		1,036,526	(185,953)	834,367	(251,349)
Increase in deferred Income		362,297	117,609	362,297	117,609
Increase/(decrease) in contract liabilities		379,389	41,851	118,321	(58,001)
Increase/decrease in amounts due to related parties		-	-	33,473	(180,528)
<b>Cash generated from operating activities</b>		<b>8,429,790</b>	<b>1,682,210</b>	<b>7,694,786</b>	<b>1,771,181</b>
Interest paid		(761,035)	(1,417,767)	(636,984)	(1,272,985)
Employee benefits paid	4.23	(69,983)	(42,145)	(68,259)	(40,216)
Income tax paid	4.29	(41,145)	(310,873)	(3,961)	(146,988)
<b>Net cash from/(used in) operating activities</b>		<b>7,557,627</b>	<b>(88,575)</b>	<b>6,985,582</b>	<b>310,992</b>
<b>Cash Flows from Investing Activities</b>					
Net proceeds from sale of property, plant and equipment		25,697	22,788	25,553	12,877
Dividends received		191	201	191	22,308
Interest received		30,622	37,588	31,994	39,542
Investment in subsidiary		-	-	-	(50,176)
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	(381,699)	(433,472)	(313,842)	(350,726)
Acquisition of intangible assets	4.11	(17,704)	(5,100)	(17,154)	(5,100)
<b>Net cash used in investing activities</b>		<b>(342,893)</b>	<b>(377,995)</b>	<b>(273,258)</b>	<b>(331,275)</b>

For the year ended 31st March	Note	Group		Company	
		2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Financing Activities					
Capital contribution from non-controlling interest of a newly incorporated subsidiary		-	19,727	-	-
Proceeds from long-term borrowings	4.22.1.1	1,325,000	-	1,300,000	-
Repayment of long-term borrowings	4.22.1.1	(332,068)	(351,055)	(331,500)	(349,960)
Net movement of short-term borrowings		(7,752,240)	1,663,614	(7,313,782)	1,020,230
Repayment of lease liabilities		(88,808)	(65,786)	(61,208)	(30,773)
Dividends paid	4.20	(22,191)	(22,191)	(22,191)	(22,191)
Net cash (used in)/from financing activities		(6,870,307)	1,244,309	(6,428,681)	617,306
Net increase in cash and cash equivalents		344,427	777,739	283,643	597,023
Cash and cash equivalents as at 01st April		699,526	(74,447)	465,390	(131,940)
Effect of exchange rate changes on cash and cash equivalents		(3,625)	(3,766)	(3,349)	307
Cash and cash equivalents as at 31st March (Note-A)		1,040,328	699,526	745,684	465,390

## Note - A

## Analysis of Cash and cash equivalents as at 31st March

Cash and bank balances	4.18	1,199,232	837,650	848,834	570,503
Bank overdrafts	4.22.2	(158,904)	(138,124)	(103,150)	(105,113)
<b>Cash and cash equivalents</b>		<b>1,040,328</b>	<b>699,526</b>	<b>745,684</b>	<b>465,390</b>

Figures in brackets indicate deductions.

The Notes appearing on pages 82 to 138 form an integral part of these Financial Statements.

## SECTION 2 - CORPORATE INFORMATION

This section gives a description of the reporting entity, its subsidiaries and the equity accounted investee.

### 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, Jethawana 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.

More corporate information is presented on page 153.

### 2.2 PRINCIPAL BUSINESS ACTIVITIES AND NATURE OF OPERATIONS

The principal place of business and business activities of the Company, subsidiaries and the Equity accounted investee are as follows:

Entity	Principal place of business	Principal Business Activities
<b>The Company</b>		
Diesel & Motor Engineering PLC	Sri Lanka	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, earth moving machinery, car parking systems, and power tools Import and sale of vehicle spares, components, consumer products, accessories, lamps, home appliances, Paint Providing solutions in lighting, storage systems, power engineering including solar power generation systems Sale and after sales in the business domains of industrial refrigeration systems, marine & rail propulsion Import, repack and distribution of fertiliser.
<b>Subsidiaries</b>		
DIMO (Private) Limited	Sri Lanka	Sale and after sales in the business domains of bio-medical engineering, power engineering, building technologies, civil engineering, elevators and escalators, industrial refrigeration systems and fluid management systems.
DIMO Travels (Private) Limited	Sri Lanka	Provision of transportation facilities.
DIMO Industries (Private) Limited	Sri Lanka	Import and sale of tyres.
PlantChem (Private) Limited	Sri Lanka	Import re-packing and sales of pesticides, fungicides, insecticides, herbicides, plant growth regulators, compound fertilisers and liquid fertilisers.
Plant Seeds (Private) Limited	Sri Lanka	Import and sale of hybrid seeds and produce, process and distribution of seed paddy, hybrid seeds and vegetable seeds
Moveflex (Private) Limited	Sri Lanka	Provision of transport facilities.
DIMO Lifeline (Private) Limited	Sri Lanka	Providing solutions for cardiac rhythm management, interventional cardiac operations and related therapy line.
DIMO Lanka Company Limited	Republic of the Union of Myanmar	Investee company of Diesel and Motor Engineering PLC for operations in Myanmar.
United DIMO Company Limited	Republic of the Union of Myanmar	Sale of automobiles, automobile repair and servicing. Subsidiary of DIMO Lanka Company Limited.
<b>Equity accounted investee</b>		
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.

During the last year, the Company opened a branch in Republic of Uganda and its principle business activity is providing power engineering solutions.

#### 2.2.1. Subsidiaries Incorporated during the year

Moveflex (Private) Limited was incorporated on 10th February 2021. The business of providing transport facilities, which was previously carried out by Diesel and Motor Engineering PLC was transferred to this company with effect from the date of incorporation.

Dimo Lifeline (Private) Limited was incorporated on 13th July 2020.

More details of the Group is available in the group structure on page 21.

## 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](http://www.casrilanka.com).

### 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	Page No
Freehold land	Initially measured at cost and subsequently at revalued amounts which are the fair values at the date of revaluation.	4.9	98
Equity instruments at FVOCI	Fair value	4.14	118
Defined benefit obligation	Actuarially valued and recognised at present value	4.23	127

The Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

### 3.3 GOING CONCERN

In light of ongoing COVID-19 pandemic situation, the Group and the Company have assessed its going concern and a detailed disclosure of its assessment is provided below.

The outbreak of COVID-19 has caused disruption to business and economic activities, and uncertainty to the global and local economy. Therefore, in the assessment of the existence of a material uncertainty to the Group/Company, the management took into consideration the existing and anticipated effects of the Pandemic on the Group's activities based on all available information about the future that was obtained after the reporting date, up until the date on which the financial statements are issued. Subsequent to the outbreak of COVID-19 in Sri Lanka, the Group has adhered to the guidelines and directions issued by Government.

In making this assessment, the Management has considered the potential downsides that the COVID-19 pandemic could bring to the business operation of the Group. However, considering a wide range of factors including history of profitable operation, current liquidity position and stable external funding sources, diversified business portfolio, the management is satisfied itself that the going concern basis is appropriate and currently believes that the Company, its subsidiaries and joint venture have adequate liquidity and business plans to continue to operate the business and mitigate the risks as consequence of the lockdown for the next 12 months from the date of this report. Unutilised bank facilities of the Group as at 31st March 2021 are disclosed in Note 4.22.2.

Impact arising from import restriction on vehicles, and inorganic fertiliser and agrochemicals on the Group's/Company's performance are discussed in Note. 3.10.3.1.

The Management, having carried out the required assessment of its ability to continue as a going concern and satisfying that it has the resources to continue in business for the foreseeable future, and not being aware of any uncertainties that may cast a significant doubt upon the Group's/Company's ability to continue as a going concern, prepared the Financial Statements of the Group/Company 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

## SECTION 3 - BASIS OF ACCOUNTING

### 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 Standards.

#### 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.

### 3.7 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements of the Group/Company requires the Management to make judgements, estimates and assumptions that may affect the reported amounts of assets, liabilities, income, expenses and accompanying disclosures as well as the disclosure of contingent liabilities, at the end of the reporting period. Management make estimates and judgements based on current knowledge, historical experience and various other assumptions that are held to be reasonable under the circumstances. However, actual results may differ from these judgements and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the financial statements. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Judgements, estimates and assumptions made by management which have the most significant effect on the amounts recognised in these consolidated financial statements are described in the following notes.

Accounting Policies	Note
Revenue recognition	4.1
Impairment of non financial assets	3.10.3
Current tax & deferred tax assets	4.29 & 4.24
Useful life time of Property, plant and equipment	4.9
Revaluation of Property, plant and equipment	4.9.1
Provision for impairment of trade receivables	4.16
Employee benefits	4.23
Right-of-Use Assets and Lease liabilities	4.10 & 4.22.3
Provisions and contingent liabilities	4.26
Consolidation	3.10.1
Equity accounted investee	4.12.5
Acquisition of subsidiary	4.12

#### 3.7.1 Estimation uncertainty in preparation of financial statements due to the economic implications of COVID-19 pandemic

The post-lockdown implications have increased the uncertainty of estimates made in preparation of the Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the actions of stakeholders such as government, businesses and customers.
- the extent and duration of the expected economic downturn due to impact on GDP capital markets, credit risk of our customers, impact of unemployment and possible decline in consumer discretionary spending.
- the effectiveness of government and central bank measures that have and will be put in place to support businesses through this disruption and economic downturn.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to expected credit losses and recoverable amount assessments of non-financial assets, recoverable value of property plant and equipment and net realisable value of inventory.

#### Collectively assessed allowance for expected credit losses

The post-lockdown economic implications on the country's economy and how businesses and consumers respond to same are uncertain. There could be a possible increase in credit risk due to the loss of income by some of the businesses and the individuals who are our customers, which would delay the settlements of customer dues whilst the possibility of default also exists.

This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which is subject to a number of management judgements and estimates. Judgements relevant to expected credit loss computations are further discussed in note 4.16 to these financial statements.

The Group has consistently applied the accounting policies as set out in page 82 to 138, to all periods presented in these consolidated financial statements, except for changes arising out of amendments to Accounting Standards as set out below;

### 3.8. AMENDMENTS TO SLFRS 3: DEFINITION OF A BUSINESS

The Group applied the "Definition of a Business" (Amendments to SLFRS 3) to business combinations whose acquisition dates are on or after 1 April 2020 in assessing whether it has acquired a business or a group of assets. As there were no acquisitions during the year, these amendments to SLFRS 3 had no impact on the Consolidated Financial Statements of the Group, but may impact future periods when the Group enters into any business combinations.

A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Group's financial statements.

LKAS-1 "Presentation of Financial Statements", LKAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors" and Conceptual framework are new standards that became effective during the financial year i.e. 1st January 2020. However, they do not have a material effect on the Group Financial Statements.

### 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 the all periods presented.

Set out below is an index of the significant accounting policies, the details of which are available on the pages indicated.

Note	Accounting Policy	Page No.
4.1	Revenue	89
4.2	Operating Segments	91
4.3	Other Operating Income/(Expenses)	94
4.4	Finance Income and Costs	94
4.5	Profit Before Tax	95
4.6	Taxation	96

Note	Accounting Policy	Page No.
4.7	Earnings Per Share-Basic and Diluted	97
4.8	Dividends	98
4.9	Property, Plant and Equipment	98
4.10	Right-of-use assets	103
4.11	Intangible Assets and goodwill	105
4.12	Investments in Subsidiaries and equity-accounted investee	107
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4.14	Equity instruments at FVOCI	118
4.15	Inventories	118
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### 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.

Accounting Policies	Note
Basis of consolidation	3.10.1
Foreign currency	3.10.2
Impairment of non-financial assets	3.10.3
Statement of cash flows	3.10.4

## SECTION 3 - BASIS OF ACCOUNTING

### 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'.

#### Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in Statement of Profit or Loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

#### 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, except for DIMO Lanka Company Limited and United DIMO Company Limited whose financial year ends on 30th September. The reason for using different reporting period by the above two subsidiaries located in Myanmar is due to the requirement imposed by the Government of Myanmar. The Financial Statements of the parent and subsidiaries are prepared using uniform accounting policies.

There are no significant restrictions (other than obtaining approval from the Central Bank of the relevant country) on the ability of subsidiaries to transfer funds to the Company (the "Parent") in the form of cash dividend or repayment of loans and advances except for the subsidiaries incorporated in Myanmar. The current regulations in Myanmar are unclear about remittance of cash dividends or repayment of loans and advances being remitted out of the country.

#### Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions- that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

#### Loss of Control

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Statement of Profit or Loss. Any investment retained is recognised at fair value.

#### 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 transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are recognised in the Statement of Profit or Loss. However, foreign currency differences arising from 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 have 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.

The parent, subsidiaries and joint venture have access to adequate funding to continue their business operations. Based on the assessments made to the recoverable amounts of non-financial assets, including investments in subsidiaries, there were no indications that require an adjustment in the financial statements other than disclosure made in Note 4.12.2.

### 3.10.3.1. Import Restriction on Vehicles, and inorganic fertiliser and agrochemicals

The temporary suspension of imports of vehicles was scheduled to be in effect till 30th December 2020. This restriction has now been extended by the government until further notice. Until the import restrictions are removed, there are no prospects of new stocks being received by the Company except for any vehicles assembled in Sri Lanka. The import restrictions will lead to an adverse impact on vehicle sales revenue.

As per a Gazette notification issued on 06th May 2021, the government imposed a complete ban on the import of inorganic fertiliser and agrochemicals. This will have an impact on the revenue of the Group/ Company. The management, believes that it is too early to determine any adverse negative consequences of the government's decision on the carrying amount of the assets reported in these Financial Statements.

The management believes that the diversity of other sources of income and initiatives embarked upon will minimise the impact caused by the above.

### 3.10.3.2. Property, plant and equipment and intangible assets (other than goodwill)

Due to the movement restrictions that may result from COVID-19 pandemic in the country, property, plant and equipment (PPE) may be under-utilised or not utilised for a certain period. Similarly capital work – in - progress may be restricted or suspended. But at the reporting date, the Group/ Company does not have an intention to discontinue any operation to which an asset belongs or plans to dispose of an asset before the previously expected date. Therefore, there will not be a change in the manner in which the asset is used or is expected to be used. Based on that assessment, management has concluded that no impairment is required on PPE at the reporting date.

### 3.10.3.3. Right to use of assets

The Group does not foresee any impairment of the right to use assets due to the economic implication of the COVID-19 pandemic and does not anticipate discontinuation of any asset before the previously expected date, for which the Group/ Company possesses the right to use. Lease liabilities are not reassessed as there are no known moratoriums received for the lease payments so far.

### 3.10.3.4. Goodwill Impairment

The Board is of the view that a need does not exist for impairment of goodwill that arose due to the acquisition of Plant Seeds (Pvt) Ltd. during the financial year 2017/18, as the business continuity plan and the continuation of the agriculture-related activity has not seriously affected its future cash flows, despite the COVID-19 related economic implications and import restrictions made on inorganic fertiliser and agrochemicals.

### 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 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

Following amendments Sri Lanka Accounting Standards issued not yet effective as at the reporting date have not been applied in preparing the Consolidated Financial Statements. The Group plans to apply these amendments to the standards from their effective dates:

A summary of the requirements stipulated by the amendments and their possible impact on financial statements, when implemented, is presented in the table below;

New or amended Standards	Summary of the requirements	Possible impact on Financial Statements
Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 Interest Rate Benchmark Reform (Phase 1 & 2) – ("IBOR reform")	<p>The amendments to SLFRS 9 &amp; LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures.</p> <p>Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or hedging relationships because of the reform. These amendments to various standards are effective for the annual reporting periods beginning on or after January 01, 2021.</p>	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.
Amendments to SLFRS 16 - COVID-19 Related Rent Concessions	<p>The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.</p> <p>As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS-16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 01, 2020.</p>	This amendment is not expected to have a material impact on the Financial Statements of the Group in the foreseeable future.
Amendments to LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets	<p>The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 01, 2022 to contracts existing at the date when the amendments are first applied.</p> <p>At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives will not be restated.</p>	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.

#### 3.11.1. Other Standards

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- ◉ Amendments to LKAS 1 : Presentation of Financial Statements - Classification of liabilities as Current or Non-current
- ◉ Amendments to SLFRS 3 : Business Combinations - Reference to the Conceptual Framework
- ◉ Amendments to LKAS 16 : Property, Plant & Equipment - Proceeds before Intended Use
- ◉ SLFRS 17 - Insurance Contracts and amendments thereto.

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

This section provides specific accounting policies and basis of accounting estimates in relation to the reported values in the Financial Statements with additional Notes and explanations thereon.

### 4.1 REVENUE

#### Accounting Policy

The Group/Company recognizes revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration that the Group is to be entitled in exchange for those goods or services. Determining the timing of the transfer of control of goods or services, at a point in time or over time, requires judgments taking into consideration the nature of goods or services that Group/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 margin.

The Group/Company disaggregate its revenue into following categories based on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

#### Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, usually on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates). The Group/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.

#### 4.1.1 Disaggregation of revenue from contracts with customers

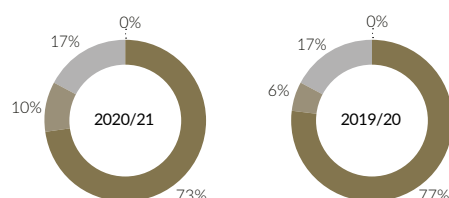
In the following tables, revenue from contract with customers is disaggregated by nature of the product and timing of revenue recognition.

##### 4.1.1.1. Revenue by nature

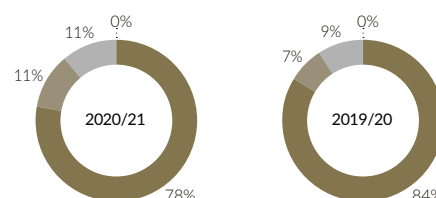
For the year ended 31st March

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue Source				
Sale of goods	22,347,823	26,504,259	19,454,583	23,879,608
Rendering of services	3,042,709	2,174,997	2,788,229	1,970,751
Constructions related contracts	5,343,102	5,725,600	2,651,416	2,690,962
Service support income	85,380	153,015	60,241	71,454
<b>Total revenue</b>	<b>30,819,014</b>	<b>34,557,871</b>	<b>24,954,469</b>	<b>28,612,775</b>

Revenue by Nature - Group



Revenue by Nature - Company



## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.1.1.2. Timing of revenue recognition

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Revenue recognised at a point in time	25,475,912	28,832,271	22,303,053	25,921,813
Revenue recognised over time	5,343,102	5,725,600	2,651,416	2,690,962
	30,819,014	34,557,871	24,954,469	28,612,775

### 4.1.2 Reconciliation of revenue

Reconciliation between disaggregated revenue from contracts with customers and revenue information that is disclosed for each reportable segment is set out below;

#### For the year ended 31st March

	Group - 2021				
	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	6,389,986	48,973	-	-	6,438,959
Vehicle - After Services	2,524,185	2,364,322	-	199	4,888,706
Marketing and Distribution	3,523,455	47,774	1,026,559	-	4,597,788
Construction and Material Handling Equipment	1,305,642	527,773	92,843	16,589	1,942,847
Agriculture	7,560,203	4,388	-	-	7,564,591
Electro-Mechanical, Biomedical and Marine Engineering	1,044,352	49,479	4,223,700	68,592	5,386,123
	22,347,823	3,042,709	5,343,102	85,380	30,819,014

#### For the year ended 31st March

	Company - 2021				
	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	6,389,986	49,013	-	-	6,438,999
Vehicle - After Services	2,524,775	2,109,802	-	199	4,634,776
Marketing and Distribution	3,495,815	47,774	1,030,310	-	4,573,899
Construction and Material Handling Equipment	1,331,925	527,773	92,877	16,589	1,969,164
Agriculture	5,611,671	4,388	-	-	5,616,059
Electro-Mechanical, Biomedical and Marine Engineering	100,411	49,479	1,528,229	43,453	1,721,572
	19,454,583	2,788,229	2,651,416	60,241	24,954,469

#### For the year ended 31st March

	Group - 2020				
	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	13,670,681	109,725	-	2,189	13,782,595
Vehicle - After Services	3,237,522	1,410,899	-	-	4,648,421
Marketing and Distribution	4,028,242	29,375	1,019,821	-	5,077,438
Construction and Material Handling Equipment	835,127	532,824	223,173	15,379	1,606,503
Agriculture	3,527,860	4,014	-	-	3,531,874
Electro-Mechanical, Biomedical and Marine Engineering	1,204,827	88,160	4,482,606	135,447	5,911,040
	26,504,259	2,174,997	5,725,600	153,015	34,557,871

## For the year ended 31st March

	Company - 2020				
	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	13,670,681	109,725	-	2,189	13,782,595
Vehicle - After Services	3,238,324	1,209,746	-	-	4,448,070
Marketing and Distribution	3,931,339	29,375	1,016,003	-	4,976,717
Construction and Material Handling Equipment	849,692	532,824	223,173	15,379	1,621,068
Agriculture	2,100,586	-	-	-	2,100,586
Electro-Mechanical, Biomedical and Marine Engineering	88,986	89,081	1,451,786	53,886	1,683,739
	23,879,608	1,970,751	2,690,962	71,454	28,612,775

## 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, Consumer products, fittings and accessories, home appliances, paints, tyres, original equipment spare parts and auto components.
Construction and Material Handling Equipment	Sales and services of earth moving machinery, road construction machinery, material handling machinery, forklifts, storage systems, dock levellers, car parking systems and gondolas.
Agriculture	Import, sale and after sales services of agri machinery, import, processing and distribution of agrochemicals, seeds and fertiliser, import producing, processing and sale of agricultural seeds.
Electro-Mechanical, Biomedical and Marine Engineering	Sale and after sales in the business domains of bio-medical engineering, generating sets, elevators and escalators, 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, Biomedical and Marine Engineering		Total	
For the year ended	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
31st March	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	6,442,765	13,818,825	5,409,150	5,374,676	4,749,672	5,208,673	2,039,370	1,683,999	7,651,243	3,600,938	5,653,474	6,079,403	31,945,674	35,766,514
Inter-segment revenue	(3,806)	(36,230)	(520,444)	(726,255)	(151,884)	(131,235)	(96,523)	(77,496)	(86,652)	(69,064)	(267,351)	(168,363)	(1,126,660)	(1,208,643)
<b>Total external revenue</b>	<b>6,438,959</b>	<b>13,782,595</b>	<b>4,888,706</b>	<b>4,648,421</b>	<b>4,597,788</b>	<b>5,077,438</b>	<b>1,942,847</b>	<b>1,606,503</b>	<b>7,564,591</b>	<b>3,531,874</b>	<b>5,386,123</b>	<b>5,911,040</b>	<b>30,819,014</b>	<b>34,557,871</b>
<b>Segment results</b>	<b>340,323</b>	<b>658,753</b>	<b>963,857</b>	<b>867,452</b>	<b>460,029</b>	<b>485,924</b>	<b>303,163</b>	<b>249,739</b>	<b>598,953</b>	<b>123,643</b>	<b>406,502</b>	<b>546,435</b>	<b>3,072,827</b>	<b>2,931,946</b>
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	119,156	158,588
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,831,741)	(1,658,634)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	93,458	237,669
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(733,589)	(1,390,042)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(183,845)	(78,383)
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>536,266</b>	<b>201,144</b>

#### Business Segment

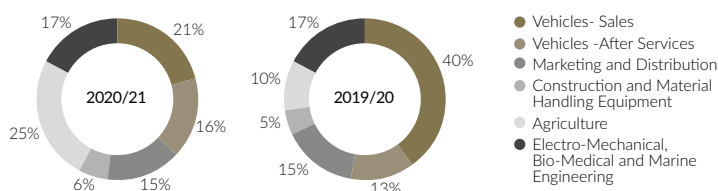
##### Assets and Liabilities

Segment assets	866,736	4,083,218	2,076,383	2,020,553	3,088,113	3,500,838	1,293,507	1,189,454	5,899,296	3,160,824	6,208,657	6,021,157	19,432,692	19,976,044
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	12,683,459	11,737,246
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,116,151</b>	<b>31,713,290</b>
Segment liabilities	483,758	6,040,450	1,142,478	1,157,614	1,311,907	1,696,440	456,541	317,617	3,462,299	2,070,262	1,226,003	1,426,314	8,082,986	12,708,697
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	9,071,913	6,655,662
Equity	-	-	-	-	-	-	-	-	-	-	-	-	14,961,252	12,348,931
<b>Total equity and liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,116,151</b>	<b>31,713,290</b>

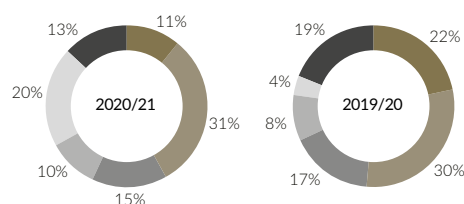
#### Other Information

Capital expenditure	3,038	16,589	53,421	46,246	12,310	39,257	35,921	25,719	68,294	88,274	165,848	198,160	338,832	414,245
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	60,571	24,327
Depreciation and amortisation	37,061	39,859	96,925	97,259	18,078	16,695	11,956	11,328	83,398	50,795	37,243	19,411	284,661	235,347
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	161,867	189,920

#### Segment Revenue



#### Segment Results



## Segmental Results, Assets and Liabilities

## Company

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Agriculture		Electro-Mechanical, Biomedical and Marine Engineering		Total	
For the year ended	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
31st March	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
<b>Business Segment Turnover and Results</b>														
Total segment revenue	6,442,765	13,818,825	5,148,842	5,167,769	4,703,663	5,092,218	2,039,370	1,683,999	5,701,726	2,168,469	1,744,176	1,685,036	25,780,542	29,616,316
Inter-segment revenue	(3,766)	(36,230)	(514,066)	(719,699)	(129,764)	(115,501)	(70,206)	(62,931)	(85,667)	(67,883)	(22,604)	(1,297)	(826,073)	(1,003,541)
<b>Total external revenue</b>	<b>6,438,999</b>	<b>13,782,595</b>	<b>4,634,776</b>	<b>4,448,070</b>	<b>4,573,899</b>	<b>4,976,717</b>	<b>1,969,164</b>	<b>1,621,068</b>	<b>5,616,059</b>	<b>2,100,586</b>	<b>1,721,572</b>	<b>1,683,739</b>	<b>24,954,469</b>	<b>28,612,775</b>
<b>Segment results</b>	<b>336,491</b>	<b>658,753</b>	<b>993,377</b>	<b>905,711</b>	<b>456,668</b>	<b>478,474</b>	<b>303,163</b>	<b>249,739</b>	<b>420,842</b>	<b>4,205</b>	<b>228,409</b>	<b>444,653</b>	<b>2,738,950</b>	<b>2,741,535</b>
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	282,720	260,032
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,865,218)	(1,653,417)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	75,006	217,705
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(609,538)	(1,245,260)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(173,868)	(52,874)
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>448,052</b>	<b>267,721</b>

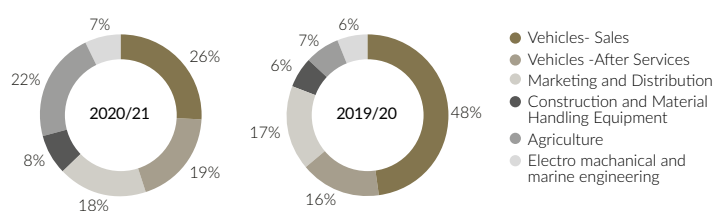
## Business Segment Assets and Liabilities

Segment assets	856,616	4,083,218	1,878,857	1,868,907	3,075,351	3,500,838	1,293,507	1,189,454	4,523,535	1,818,823	1,385,247	846,024	13,013,113	13,307,264
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	14,041,131	13,998,716
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,054,244</b>	<b>27,305,979</b>
Segment liabilities	483,735	6,040,450	1,009,720	1,095,595	1,311,092	1,696,440	456,541	317,617	2,788,527	1,291,600	142,348	246,674	6,191,963	10,688,376
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	7,690,869	5,948,171
<b>Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,171,412</b>	<b>10,669,432</b>
<b>Total equity and liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,054,244</b>	<b>27,305,979</b>

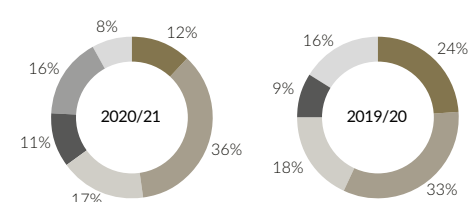
## Other Information

Capital expenditure	3,038	16,589	53,421	46,246	12,310	39,257	35,921	25,719	21,269	3,493	149,290	186,008	275,249	317,312
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	55,747	38,514
Depreciation and amortisation	37,061	39,859	84,904	97,259	18,078	16,695	11,956	11,328	14,889	16,172	6,042	6,042	172,930	187,355
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	173,767	174,577

## Segment Revenue



## Segment Results





## 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.

#### Other Operating Income

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Dividend income	191	292	191	22,399
Gains on sale of property, plant and equipment	10,678	14,022	10,845	10,581
Sundry income	108,287	144,274	271,684	227,052
	119,156	158,588	282,720	260,032

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.

### 4.4 FINANCE INCOME AND COSTS

#### Accounting Policies

Finance income comprises of interest income and is recognised as it accrues, using the effective interest method.

Finance costs comprise of interest expense on borrowings 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

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest income	30,622	37,588	31,994	39,542
Net foreign exchange gain	62,836	200,081	43,012	178,163
Finance income	93,458	237,669	75,006	217,705
Interest on long-term borrowings	(84,708)	(69,396)	(84,708)	(69,396)
Interest on short-term borrowings	(531,757)	(1,213,499)	(461,427)	(1,110,171)
Finance charges under operating and finance leases	(64,517)	(61,689)	(52,719)	(54,202)
Unwinding of significant financing component	(52,607)	(45,458)	(10,684)	(11,491)
Finance costs	(733,589)	(1,390,042)	(609,538)	(1,245,260)
Net finance costs recognised in profit or loss	(640,131)	(1,152,373)	(534,532)	(1,027,555)

#### 4.5 PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Directors' emoluments</b>				
- Short-term employment benefits	393,364	369,373	351,147	327,815
- Post-employment benefits	54,737	52,039	51,349	48,327
<b>Auditors' remuneration</b>				
- Audit and audit-related services	3,788	6,161	2,902	3,989
- Non-audit services	3,359	2,699	3,034	1,673
Depreciation on property, plant and equipment	435,840	417,575	339,208	354,240
Amortisation of intangible assets	10,688	7,692	7,489	7,692
Provision for impairment of trade receivables	158,313	323,472	155,371	245,022
(Reversal of)/provision for slow moving inventories	(17,531)	69,619	(26,465)	19,336
Donations	4,804	2,906	4,105	2,392
Legal fees	16,025	19,308	15,376	18,691
Staff expenses (Note 4.5.1)	2,934,883	2,646,597	2,301,006	2,059,048

##### 4.5.1 Staff Expenses

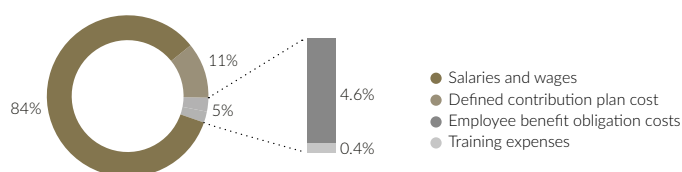
###### Accounting Policy

Salaries and wages, contribution to EPF and ETF, training expenses and cost of defined benefit plans are recognised as an expense in the year in which the related services are provided.

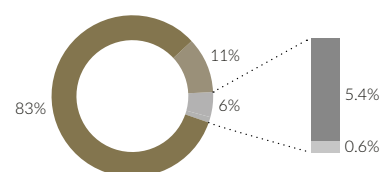
For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Defined contribution plan cost	328,026	322,172	260,783	261,090
Employee benefit obligation costs (Note 4.23.1)	140,377	141,479	124,456	128,512
Training expenses	12,494	36,954	10,613	28,815
Salaries and wages	2,453,986	2,145,992	1,905,154	1,640,631
	2,934,883	2,646,597	2,301,006	2,059,048
Average number of employees for the year	1,886	1,939	1,475	1,544

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



## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.6 TAXATION

#### 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 detailed 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.

#### Income Tax Expense

For the year ended 31st March

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Current Tax Expense</b>				
Current tax on profit for the year (Note 4.6.1)	324,523	230,129	283,320	178,308
Under provision in respect of previous years	10,950	37,054	36,212	25,993
10% withholding tax on inter-company dividend	-	3,599	-	-
	335,473	270,782	319,532	204,301
<b>Deferred Tax Expense</b>				
Reversal of temporary differences (Note 4.6.2)	(151,628)	(192,399)	(145,664)	(151,427)
<b>Total income tax expense</b>	<b>183,845</b>	<b>78,383</b>	<b>173,868</b>	<b>52,874</b>
Effective tax rate (%) - including deferred tax	26%	28%	28%	16%
Effective tax rate (%) - excluding deferred tax	47%	97%	51%	-64%

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.

As per a Notice published by the Department of Inland Revenue on November 29, 2019, Nation Building Tax (NBT) was abolished with effect from December 01, 2019.

The income tax rates applicable to Group/Company as follows;

Name of the Entity	Country of Domicile	Rates	
		2020/21	2019/20
Diesel & Motor Engineering PLC, DIMO (Private) Limited, DIMO Industries (Private) Limited, DIMO Travels (Private) Limited and MoveFlex (Pvt) Ltd	Sri Lanka	24%	28%
PlantChem (Private) Limited and Plant Seeds (Private) Limited	Sri Lanka	18%	28%
DIMO Lanka Company Limited and United DIMO Company Limited	Republic of the Union of Myanmar	25%	25%

The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act No. 24 of 2017 incorporating announcements implemented by the Inland Revenue Circular Nos. PN/IT/2020-03 (Revised) and PN/IT/2021-01 was Gazetted on 18 March 2021.

As the Bill has been Gazetted and also printed by order of Parliament as of the reporting date, the Institute of Chartered Accountant of Sri Lanka has issued guidance to consider the new amendments as "Substantively enacted" for the financial reporting period end after 26th March 2021. Accordingly, Current tax and deferred tax expenses for the financial year 2020/21 have been computed in accordance with the new amendments of Inland Revenue Act No 24 of 2017.

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

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit before taxation	720,111	279,527	621,920	320,595
Disallowable expenses	2,594,360	1,858,867	2,091,171	1,463,859
Allowable expenses	(1,971,258)	(1,240,780)	(1,563,612)	(1,052,704)
Income not liable for tax	78,027	-	85,577	-
Set off against losses	-	(120,149)	-	(94,934)
Taxable income	1,421,240	777,465	1,235,056	636,816
Income tax				
Tax at 28%	-	230,129	-	178,308
Tax at 24%	262,345	-	261,131	-
Tax at 18%	47,089	-	7,234	-
Tax at 14%	15,089	-	14,955	-
Current tax on profit for the year	324,523	230,129	283,320	178,308

#### 4.6.2 Recognition of Deferred Tax Expenses in the Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Statement of Profit or Loss (Note 4.24.2)	(151,628)	(192,399)	(145,664)	(151,427)
Other Comprehensive Income (Note 4.24.2)*	365,647	14,560	362,181	19,549
	214,019	(177,839)	216,517	(131,878)

\*As per the Inland Revenue Act No.24 of 2017 that 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, a Rs. 351 million (Rs. 1,572 million - 2017/18 financial year) deferred tax liability has been recognised by the Company at 24% on the gains recorded on revaluation of freehold land carried in these Financial Statements. The Group's deferred liability amount on the gains recorded on revaluation of freehold land is Rs. 354 million (Rs. 1,578 million - 2017/18 Financial year).

#### 4.7 EARNINGS PER SHARE-BASIC AND DILUTED

##### Accounting Policy-Measurement basis

The earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year.

There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year.

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit attributable to ordinary shareholders (Rs.'000)	486,713	195,011	448,052	267,721
Weighted average number of ordinary shares*	9,231,494	9,231,494	9,231,494	9,231,494
Earnings per ordinary share-basic and diluted (Rs.)	52.72	21.12	48.54	29.00

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As per the LKAS 33 - Earnings Per share, If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or a share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares.

On 07th May 2021, the Board of Directors decided to capitalize Rs. 195,281,350.00 of its reserves as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share, subject to

approval from the Colombo Stock Exchange (CSE). The CSE has approved the Board's decision on 20th May 2021, which is before the financial statements were authorised for issue. Therefore earnings per share (both basic and diluted) have been calculated considering the effect of the above decision.

\* Weighted average number of ordinary shares has been calculated as follows,

Ordinary shares at the beginning of the year	8,876,437
Capitalisation of reserves	355,057
	9,231,494

### 4.8 DIVIDENDS

For the year ended 31st March

	Company	
	2021 Rs.'000	2020 Rs.'000
First and final dividend paid	22,191	22,191
	22,191	22,191
Dividend per share (Rs.)	2.50	2.50

A first and final dividend of Rs. 12.50 per share was declared by the Board of Directors on 28th May 2021 for the Financial Year 2020/21 which is to be paid on or before 29th June 2021 (A first and final dividend of Rs. 2.50 per share was declared by the board of directors on 30th December 2020 for the Financial Year 2019/20 and was paid in 2020/21).

#### 4.8.1 Compliance with Section 56 and 57 of Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to recommending the dividends.

#### First and final dividends for the Financial Year 2019/20

A statement of solvency completed and duly signed by the Directors on 30th September 2020 was audited by Messrs KPMG, Chartered Accountants.

#### First and final dividends for the Financial Year 2020/21

A statement of solvency completed and duly signed by the Directors on 28th May 2021. The certificate of solvency audited by Messrs KPMG, Chartered Accountants will be obtained prior to payment of the dividends.

### 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, in accordance with the Sri Lanka Accounting Standard - LKAS 16 on "Property Plant and Equipment".

##### Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent

costs (as explained under subsequent cost). The cost of self-constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Purchased software which is integral to the functionality of the related equipment is capitalised as part of that equipment.

### Cost model

All property, plant and equipment except freehold land, are recorded at cost, less accumulated depreciation and accumulated impairment losses, if any.

When an asset's carrying value is higher than its 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 remaining lease period
Plant and machinery	04-20
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	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cost or Revalued Amount</b>										
At the beginning of the year	7,292,785	2,842,992	520,051	1,190,680	328,222	893,782	308,348	710,733	14,087,593	13,635,275
Revaluation	2,424,015	-	-	-	-	-	-	-	2,424,015	-
Additions	-	3,283	-	206,578	18,405	28,659	25,566	20,585	303,076	325,944
Transferred from capital work-in-progress	-	32,458	6,796	26,816	436	10,093	188	3,757	80,544	171,492
Disposals	-	(53)	(5,649)	(14,795)	(47)	(20,680)	(5,131)	(2,721)	(49,076)	(54,138)
Transfers	-	-	(1,679)	(27)	27	-	26	1,653	-	420
Effect of movements in exchange rates	-	-	(451)	(235)	(39)	(22)	(19)	(14)	(780)	8,600
<b>At the end of the year</b>	<b>9,716,800</b>	<b>2,878,680</b>	<b>519,068</b>	<b>1,409,017</b>	<b>347,004</b>	<b>911,832</b>	<b>328,978</b>	<b>733,993</b>	<b>16,845,372</b>	<b>14,087,593</b>
<b>Depreciation</b>										
At the beginning of the year	-	515,871	198,415	474,786	287,922	650,522	255,390	391,869	2,774,775	2,400,744
Charge for the year	-	72,959	54,507	91,882	21,282	105,238	26,596	63,376	435,840	417,575
On disposals	-	(36)	(2,290)	(4,646)	(22)	(20,533)	(4,750)	(1,780)	(34,057)	(45,112)
Transfers from Intangible Assets	-	-	-	(1)	1	-	55	(55)	-	420
Effect of movements in exchange rates	-	-	(85)	(22)	(16)	(11)	(10)	(3)	(147)	1,148
<b>At the end of the year</b>	<b>-</b>	<b>588,794</b>	<b>250,547</b>	<b>561,999</b>	<b>309,167</b>	<b>735,216</b>	<b>277,281</b>	<b>453,407</b>	<b>3,176,411</b>	<b>2,774,775</b>
<b>Carrying amount before capital work-in-progress</b>	<b>9,716,800</b>	<b>2,289,886</b>	<b>268,521</b>	<b>847,018</b>	<b>37,837</b>	<b>176,616</b>	<b>51,697</b>	<b>280,586</b>	<b>13,668,961</b>	<b>11,312,818</b>
<b>Capital work-in-progress at cost</b>										
At the beginning of the year	4,987	135,773	5,714	36,404	-	-	7,162	3,961	194,001	289,987
Additions	119	60,077	6,801	8,252	436	10,093	4,573	2,217	92,568	138,412
Transferred to PPE	-	(32,458)	(6,796)	(26,816)	(436)	(10,093)	(188)	(3,757)	(80,544)	(171,492)
Transferred to Intangible Assets	-	-	-	-	-	-	(9,391)	-	(9,391)	-
Derecognition	-	(2,279)	(1,483)	(715)	-	-	(1,231)	(1,098)	(6,806)	(64,887)
Transfers	5,604	348	(79)	(6,051)	-	-	-	178	-	-
Effect of movements in exchange rates	-	-	-	-	-	-	-	-	-	1,981
<b>At the end of the year</b>	<b>10,710</b>	<b>161,461</b>	<b>4,157</b>	<b>11,074</b>	<b>-</b>	<b>-</b>	<b>925</b>	<b>1,501</b>	<b>189,828</b>	<b>194,001</b>
<b>Carrying amount as at 31st March 2021</b>	<b>9,727,510</b>	<b>2,451,347</b>	<b>272,678</b>	<b>858,092</b>	<b>37,837</b>	<b>176,616</b>	<b>52,622</b>	<b>282,087</b>	<b>13,858,789</b>	
<b>Carrying amount as at 31st March 2020</b>	<b>7,297,772</b>	<b>2,462,894</b>	<b>327,350</b>	<b>752,298</b>	<b>40,300</b>	<b>243,260</b>	<b>60,120</b>	<b>322,825</b>		<b>11,506,819</b>

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2020/21 (2019/20 – 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	
									2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost or Revalued Amount</b>										
At the beginning of the year	7,256,428	2,832,969	335,744	1,126,504	303,446	729,143	267,416	662,774	13,514,424	13,229,133
Revaluation	2,399,072	-	-	-	-	-	-	-	2,399,072	-
Additions	-	2,402	-	205,833	10,753	7,452	21,530	16,289	264,259	291,358
Transferred from capital work-in-progress	-	32,379	5,569	23,790	436	-	-	5,172	67,346	34,013
Disposals	-	(53)	(5,649)	(14,647)	(24)	(20,680)	(4,013)	(2,224)	(47,290)	(40,116)
Effect of movements in exchange rates	-	-	1	-	-	-	1	16	18	36
<b>At the end of the year</b>	<b>9,655,500</b>	<b>2,867,697</b>	<b>335,665</b>	<b>1,341,480</b>	<b>314,611</b>	<b>715,915</b>	<b>284,934</b>	<b>682,027</b>	<b>16,197,829</b>	<b>13,514,424</b>
<b>Depreciation</b>										
At the beginning of the year	-	518,323	185,963	444,308	272,527	599,894	226,396	373,829	2,621,240	2,304,561
Charge for the year	-	73,188	23,062	79,250	17,190	72,202	20,637	53,679	339,208	354,240
On disposals	-	(36)	(2,290)	(4,584)	(15)	(20,533)	(3,715)	(1,409)	(32,582)	(37,560)
Effect of movements in exchange rates	-	-	-	(1)	-	(3)	5	11	12	(1)
<b>At the end of the year</b>	<b>-</b>	<b>591,475</b>	<b>206,735</b>	<b>518,973</b>	<b>289,702</b>	<b>651,560</b>	<b>243,323</b>	<b>426,110</b>	<b>2,927,878</b>	<b>2,621,240</b>
<b>Carrying amount before capital work-in-progress</b>	<b>9,655,500</b>	<b>2,276,222</b>	<b>128,930</b>	<b>822,507</b>	<b>24,909</b>	<b>64,355</b>	<b>41,611</b>	<b>255,917</b>	<b>13,269,951</b>	<b>10,893,184</b>
<b>Capital work-in-progress at cost</b>										
At the beginning of the year	4,987	135,725	5,634	35,297	-	-	-	5,633	187,276	226,464
Additions	119	35,215	5,574	6,286	436	-	-	1,953	49,583	59,367
Transferred to PPE	-	(32,379)	(5,569)	(23,790)	(436)	-	-	(5,172)	(67,346)	(34,013)
Derecognition	-	(2,279)	(1,483)	(715)	-	-	-	(1,088)	(5,565)	(64,542)
Transfers	5,604	269	-	(6,051)	-	-	-	178	-	-
<b>At the end of the year</b>	<b>10,710</b>	<b>136,551</b>	<b>4,156</b>	<b>11,027</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,504</b>	<b>163,948</b>	<b>187,276</b>
<b>Carrying amount as at 31st March 2021</b>	<b>9,666,210</b>	<b>2,412,773</b>	<b>133,086</b>	<b>833,534</b>	<b>24,909</b>	<b>64,355</b>	<b>41,611</b>	<b>257,421</b>	<b>13,433,899</b>	
Carrying amount as at 31st March 2020	7,261,415	2,450,371	155,415	717,493	30,919	129,249	41,020	294,578		11,080,460

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2020/21 (2019/20 – Nil).

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.9.1 Revaluation of Freehold Land

Freehold land was revalued as at 31st March 2021 By Messrs Ernst & Young Transaction Advisory Services (Pvt) Ltd association with Prathap Chartered Valuation and Consultancy (Pvt) Ltd who is a professionally qualified independent valuer. The valuation method adopted was the Market Comparable Method.

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

Location	Estimates for Unobservable Inputs	Extent	Original Cost	Revalued Amount	Revalued Amount as No. of Times of Cost	Freehold Building Square Feet	No of Buildings	Pledged	Mortgaged to Financial Institution
	Rs.		Rs.'000	Rs.'000					
01. No. 65, Jethawana Road, Colombo 14* No. 56, K. Cyril C. Perera Mawatha, Colombo 14 Sanctioned Street Line	9,000,000 p.p	2A-OR-33.29P	414	3,151,000	7,611	98,247	3	No	No
02. No. 61, Jethawana Road, Colombo 14	10,000,000 p.p	0A-1R-04.00P	18,014	440,000	24	13,239	1	No	No
03. No. 74, Jethawana Road, Colombo 14	8,000,000 p.p	0A-1R-19.22P <sup>1</sup>	113,808	473,700	4	5,926	1	No	No
04. No. 800, Sirimawo Bandaranaike Mawatha, Colombo 14	3,750,000 p.p	3A-3R-20.60P	641,519	2,327,000	4	202,349	1	No	No
05. No. 135, Mahena Road, Siyambalape and No. 274/A, Kakunagaha Watta, Siyambalape**	312,500 p.p	8A-3R-19.90P	37,606	440,900	12	116,829	6	No	No
06. Kirindiwela Road, Weliveriya	175,000 p.p	15A-3R-30.00P	89,958	446,200	5	239,178	5	No	No
07. No. 360, Madampitiya Road, Mahawatta, Colombo 14 ***	4,000,000 p.p	1A-2R-26.80P	301,599	1,067,000	4	-	-	-	-
08. No. 09, Kandy Road, Aathikadu Valavu, Ariyalai, Jaffna	175,000 p.p	1A-2R-26.72P	32,487	46,600	1	40,357	1	No	No
09. No.88, Dambulla Road, Yaggapitiya, Kurunegala	Front portion (320p) at 900,000 p.p and rear (480p) at 350,000 p.p	5A-OR-00.00P	54,599	456,000	8	30,304	1	-	-
10. No. 23, Kaldemulla Road, Ratmalana	1,300,000 p.p	0A-3R-27.04P	92,102	191,100	2	20,658	2	No	No
11. No. 63 & 63 A Jethawana Road, Colombo 14	10,000,000 p.p	0A-1R-08.75P	176,539	487,500	3	13,797	2	No	No
12. No.30,Kurihena, Lenadora, Dambulla	25,000 p.p	29A-OR-27.85P	68,107	116,700	2	28,049	5	No	No
13. Kahatakulama Waththa, Galkulama, Andigama	20,000 p.p	13A-3R-28.80P	7,575	44,500	6	14,426	3	No	No
14. Kumbukgaha Mula, Nabadewa, Nikaweratiya	Commercial portion (10p) at 140,000 p.p and balance (30p) at 35,000 p.p	0A-1R-00.00P	1,100	2,400	2	-	-	No	No
15. Katuwelandahena, Panliyadda, Ibbagamuwa, Kurunegala ***	150,000 p.p	0A-1R-38.7P	11,470	11,800	1	-	-	No	No
16. Kentune Galeyaya, Kachchigala, Embilipitiya,Ratnapura ****	15,625 p.p	4A-1R-4P <sup>2</sup>	4,445	10,600	2	-	-	No	No
17. Kentune Galeyaya, Kachchigala, Embilipitiya,Ratnapura ****	15,625 p.p	01A-2R-08.65P <sup>3</sup>	2,343	3,800	2	-	-	No	No
<b>Total</b>			1,653,684	9,716,800		823,359	31		
<b>Movement of capital work-in-progress-2019/20</b>				4,987		-			
<b>Movement of capital work-in-progress-2020/21</b>				5,723		-			
<b>Total carrying value</b>				9,727,510		823,359			

p.p-per perch

\* Land original extent is 2A-OR-33.29P, but valuation has been given only for 2A-OR-30.15P

\*\* Land original extent is 8A-3R-19.90P, but valuation has been given only for 8A-3R-11P

\*\*\* Represents freehold land without building as at reporting date.

\*\*\*\* Represents freehold land with the installation of solar power panels

<sup>1</sup> The extent of the land has been inadvertently stated as 0A-1R-14.56P in the Financial Statements as at 31st March 2020, whereas the correct extent should read as 0A-1R-19.22P.

<sup>2</sup> The extent of the land has been inadvertently stated as 5A-OR-2P in the Financial Statements as at 31st March 2020, whereas the correct extent should read as 4A-1R-4P.

<sup>3</sup> The extent of the land has been inadvertently stated as 01A-3R-36.30P in the Financial Statements as at 31st March 2020, whereas the correct extent should read as 01A-2R-08.65P.

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
<b>Market comparable method</b> 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. 1,382.31 million (2019/20 - Rs. 1,181.38 million) and Rs. 1,315.67 million (2019/20 - Rs. 1,131.18 million) respectively.

#### 4.9.3 Property, Plant and Equipment Pledged as Security against Short-Term and Long-Term Bank Borrowings

Land and buildings of PlantChem (Private) Limited with a carrying value of Rs. 15.2 million (2019/20 - Rs. 19.01 million) have been pledged as security against short-term and long-term borrowing obtained.

#### 4.9.4 Permanent Fall in Value of Property, Plant and Equipment

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

#### 4.9.5 Title Restriction on Property, Plant and Equipment

There were no restrictions 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

The Group's property, plant and equipment includes assets held under finance leases amounted to Rs. 45.6 million as at the reporting date (2019/20 - Rs. 37.3 million).

### 4.10 RIGHT-OF-USE ASSETS

#### Accounting Policy

##### Basis of recognition

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for leases due to expire during the financial year and leases on which implications to the financial statements are not considered to be material.

The Group uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Group applies judgements in evaluating the level of certainty whether the option of renewing the lease exists or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

##### Basis of measurement

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-Use assets are measured at cost less any

accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right of use assets are amortised on the straight line basis over the lease term.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### Carrying Value of Right-of-use assets

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cost</b>				
At the beginning of the year	615,817	-	577,045	-
Reclassification from lease rentals paid in advance	-	39,938	-	39,938
Origination from initial application of SLFRS 16	-	553,401	-	514,629
Additions during the year	174,772	32,213	95,103	32,213
Derecognition of right-of-use assets	(57,164)	(9,735)	(57,164)	(9,735)
Effect of movements in exchange rates	61	-	61	-
At the end of the year	733,486	615,817	615,045	577,045
<b>Accumulated Depreciation</b>				
At the beginning of the year	137,807	-	115,044	-
Reclassification from lease rentals paid in advance	-	19,822	-	19,822
Depreciation for the year	115,825	117,985	94,232	95,222
At the end of the year	253,632	137,807	209,276	115,044
<b>Carrying amount at the end of the year</b>	<b>479,854</b>	<b>478,010</b>	<b>405,769</b>	<b>462,001</b>
Right-of-use assets are presented in Financial position as follows;				
Classified as non-current assets	479,854	478,010	405,769	462,001
	479,854	478,010	405,769	462,001

#### 4.10.1 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.

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cost</b>				
At the beginning of the year	-	39,938	-	39,938
Reclassification to right-of-use assets*	-	(39,938)	-	(39,938)
At the end of the year	-	-	-	-
<b>Accumulated Amortisation</b>				
At the beginning of the year	-	19,822	-	19,822
Reclassification to right-of-use assets*	-	(19,822)	-	(19,822)
At the end of the year	-	-	-	-
<b>Carrying amount at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
These lease rentals are presented in Financial position as follows;				
Classified as current assets	-	-	-	-
Classified as non-current assets	-	-	-	-
	-	-	-	-

\* With the adoption of SLFRS 16 from 1 April 2019, lease rentals paid in advance has been reclassified to right-of-use assets.

**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 in accordance with the Sri Lanka Accounting Standard – LKAS 38 on “Intangible Assets”.

**Basis of measurement**

Intangible assets acquired separately are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are recognised at their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

**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 Plant Seeds (Private) Limited. The management is of the opinion that the brand name of Plant Seeds (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 arose on acquisition of Plant Seeds (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.

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### Carrying Value of Intangible Assets

Group	Software	Goodwill	Total	
As at 31st March	Rs.'000	Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cost</b>				
At the beginning of the year	98,513	117,623	216,136	215,619
Additions during the year	17,704	-	17,704	5,100
Transferred from Capital Work In progress - PPE	9,391	-	9,391	-
Disposals during the year	-	-	-	(4,163)
Transfers to Property plant & Equipment	-	-	-	(420)
<b>At the end of the year</b>	<b>125,608</b>	<b>117,623</b>	<b>243,231</b>	<b>216,136</b>
<b>Accumulated Amortisation</b>				
At the beginning of the year	87,416	-	87,416	80,404
Amortisation for the year	10,688	-	10,688	7,692
Disposals during the year	-	-	-	(260)
Transfers to Property plant & Equipment	-	-	-	(420)
<b>At the end of the year</b>	<b>98,104</b>	<b>-</b>	<b>98,104</b>	<b>87,416</b>
<b>Carrying amount at the end of the year</b>	<b>27,504</b>	<b>117,623</b>	<b>145,127</b>	<b>128,720</b>

Company	Software	Total	
As at 31st March	Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cost</b>			
At the beginning of the year	95,936	95,936	94,999
Additions during the year	17,154	17,154	5,100
Disposals during the year	-	-	(4,163)
<b>At the end of the year</b>	<b>113,090</b>	<b>113,090</b>	<b>95,936</b>
<b>Accumulated Amortisation</b>			
At the beginning of the year	84,839	84,839	77,407
Amortisation for the year	7,489	7,489	7,692
Disposals during the year	-	-	(260)
<b>At the end of the year</b>	<b>92,328</b>	<b>92,328</b>	<b>84,839</b>
<b>Carrying amount as at end of the year</b>	<b>20,762</b>	<b>20,762</b>	<b>11,097</b>

### Fully amortised but still in Use

The cost of fully amortised Intangible Assets of the Group and the Company which are still in use amounted to Rs. 64.7 million (2019/20 - Rs. 64.7 million) and Rs. 62.1 million (2019/20 - Rs. 62.1 million) respectively.

#### 4.11.1 Net Carrying value of goodwill

Goodwill acquired through business combinations have been allocated to a cash generating units (CGU's) for impairment testing as follows;

	2021 Rs.'000
Plant Seeds (Private) Limited	117,623
	117,623

### 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.

On 23rd February 2018, the Group acquired 51% equity interest in PlantChem (Private) Limited Plant Seeds (Private) Limited, companies incorporated in Sri Lanka, for an aggregate purchase consideration of Rs. 345.5 million. The Group has acquired these companies as a part of its agriculture business expansion plan.

The purchase agreement between the selling shareholders of PlantChem (Private) Limited and Plant Seeds (Private) Limited and company stipulates that an additional 19% of shares be acquired during the 2021/22 financial year. The acquisition of an additional ownership interest in a subsidiary without a change of control will be accounted for as an equity transaction in accordance with SLFRS 10 - Consolidation Financial Statements.

#### Subsidiaries incorporated during the Financial Year 2020/21

On 13th July 2020, Diesel & Motor Engineering PLC incorporated DIMO Lifeline (Private) Limited with a 75% controlling interest to carry out business of providing solutions for cardiac rhythm management, interventional cardiac operations and related therapy. The said company has not issued shares during the financial year under review.

The recoverable amount of goodwill is determined based on value in use calculations. The value in use was determined by discounting the future cash flows generated from the continuing use of the unit and key assumptions used are given below.

**Business Growth** - Based on historical growth rate and business plan of next three to five years

**Inflation** - Based on the current inflation rate

**Discount rate** - Average market borrowing rate adjusted for risk premium

Diesel and Motor Engineering PLC also incorporated Moveflex (Private) Limited on 10th February 2021, a fully owned subsidiary, for the purpose of provision of transport facilities. The said company also has not issued shares during the financial year under review.

#### Investment in DIMO Lanka Company Limited

On 31st August 2017, Diesel and Motor Engineering PLC invested Rs. 38.1 million in DIMO Lanka Company Limited., a subsidiary of the Company, which acts as the investing arm of Diesel and Motor Engineering PLC in Myanmar. The Group has invested in the Company as part of expansion programme in automobile repair and servicing business, overseas. In 2019/20, Diesel & Motor Engineering PLC has further invested Rs. 50.1 million (28,000 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. In 2019/20, DIMO Lanka Company Limited further invested Rs. 37.7 million (25,760 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.

#### Accounting Estimate - Provision for Impairment

The carrying amount of investments made in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. However goodwill arising from the business combination is tested annually for impairment.

Based on impairment assessment carried out as at 31st March 2021, it was concluded that the net realisable value of all the investments included under unquoted investments exceeds its carrying value except for investment made in United Dimo Company Limited and DIMO Travels (Private) Limited. Therefore, based on an assessment made for impairment, the provision given in Note 4.12.2 was considered to be adequate as at the reporting date.



## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### Carrying Value of Investments in Subsidiaries made by the Company

As at 31st March	Category	Percentage of Holding (%)	Total 2021 Rs.'000	2020 Rs.'000
<b>Unquoted Investment - Ordinary Shares</b>				
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 - 78,000 ordinary shares	Investment	100	128,593	128,593
PlantChem (Private) Limited - 14,195,767 ordinary shares	Acquisition	51	166,827	166,827
Plant Seeds (Private) Limited - 6,577,185 ordinary shares	Acquisition	51	246,032	246,032
			564,802	564,802
Impairment provision (Note 4.12.2)			(31,994)	(50)
			532,808	564,752

### Carrying Value of Investments made by the subsidiaries

#### Investments by Dimo Lanka Company Limited

As at 31st March	Category	Percentage of Holding (%)	Total 2021 Rs.'000	2020 Rs.'000
<b>Unquoted Investment - Ordinary Shares</b>				
United DIMO Company Limited - 53,760 ordinary shares	Investment	70	75,045*	106,856
			75,045	106,856

\* Carrying value of investment in United Dimo Company Limited made up as follows,

At the beginning of the year	106,856
Impairment made during the year	(31,944)
Effect of movements in exchange rates	133
<b>At the end of the year</b>	<b>75,045</b>

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	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	50	50
Impairment made during the year - United DIMO Company Limited	31,944	-
<b>At the end of the year</b>	<b>31,994</b>	<b>50</b>

Opening balance of Impairment in investment in subsidiary is pertaining to DIMO Travels (Private) Limited.

The management has considered the existing situation in Myanmar as a triggering event that may require performing impairment assessment over investments made in Myanmar. When performing the assessment, management has applied significant judgements, including inter alia aspects such as business volumes, margins, working capital management, perpetual growth rates and discount rates. In addition, management has also applied judgements in determining the possible effects the COVID-19 outbreak would have on the business operation of United DIMO Company Limited.

Based on the projected discounted cash flows of the business operation of United DIMO Company Limited, the Company has identified that the recoverable value is less than its carrying value of the investment. Therefore, Rs. 31.9 million of impairment provision has been recognised as at the reporting date.

The recoverable value has been determined using the following key assumptions.

**Business Growth** - Based on historical growth rate and business plan of next three to five years

**Inflation** - Based on the current inflation rate

**Discount rate** - Average market borrowing rate adjusted for risk premium

#### 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 Plant Seeds (Private) Limited, companies incorporated in Sri Lanka, for an aggregate purchase consideration of Rs. 345.5 million. The Group has acquired these companies as part of its agriculture business expansion plan.

The following represents the fair values of the identifiable assets and liabilities of the said subsidiaries, as at the date of acquisition.

As at 31st March	PlantChem (Private) Limited Rs:'000 (Restated)	Plant Seeds (Private) Limited Rs:'000 (Restated)
Total Assets	761,267	410,846
Total Liabilities	419,206	159,063
<b>Total identifiable net assets at fair value</b>	<b>342,061</b>	<b>251,783</b>
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	166,827	246,031
<b>Net cash outflow on Acquisition</b>	<b>391,534</b>	<b>310,864</b>

At the time of acquisition, a purchased consideration has been agreed with the selling shareholders of PlantChem (Private) Limited & Plant Seeds (Private) Limited. It was paid on 20th June 2019 and was included in the above purchased consideration amounted to Rs. 47.8 million & Rs.19.59 million for PlantChem (Private) Limited & Plant Seeds (Private) Limited respectively.

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 has been made during the year ended 31 March 2020 in United DIMO Company Limited whereas both parent and minority shareholders subscribed for the shares. Accordingly, there was no change in the percentage of shareholding in subsidiary by the minority shareholders.

#### 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 following table summarises the information relating to United DIMO Company Limited, PlantChem (Private) Limited and Plant Seeds (Private) Limited that has material non-controlling interest, before any intra-group eliminations.

As at 31st March	United DIMO Company Limited		PlantChem (Private) Ltd		Plant Seeds (Private) Ltd	
	2021 Rs:'000	2020 Rs:'000	2021 Rs:'000	2020 Rs:'000	2021 Rs:'000	2020 Rs:'000
Non-controlling interest percentage	30%	30%	49%	49%	49%	49%
Summarised statement of financial position						
Current assets	104,856	55,400	711,505	686,870	447,456	444,878
Non-current assets	92,670	96,246	153,526	133,970	107,500	101,827
<b>Total assets</b>	<b>197,526</b>	<b>151,646</b>	<b>865,031</b>	<b>820,840</b>	<b>554,956</b>	<b>546,705</b>
Current liabilities	132,758	62,019	433,991	528,288	201,734	226,196
Non-current liabilities	-	-	31,950	22,959	14,145	14,662
<b>Total liabilities</b>	<b>132,758</b>	<b>62,019</b>	<b>465,941</b>	<b>551,247</b>	<b>215,879</b>	<b>240,858</b>
<b>Net assets</b>	<b>64,768</b>	<b>89,627</b>	<b>399,090</b>	<b>269,593</b>	<b>339,077</b>	<b>305,847</b>
<b>Net assets attributable to non-controlling interest</b>	<b>19,430</b>	<b>26,888</b>	<b>195,554</b>	<b>132,101</b>	<b>166,148</b>	<b>149,865</b>

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As at 31st March	United DIMO Company Limited		PlantChem (Private) Ltd		Plant Seeds (Private) Ltd	
	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Non-controlling interest percentage	30%	30%	49%	49%	49%	49%
<b>Summarised statement of comprehensive income</b>						
Revenue	252,758	206,907	1,262,144	862,985	687,373	563,592
Profit after tax	(24,181)	(28,624)	128,748	13,229	16,590	23,703
Other comprehensive income	(681)	14,054	750	-	16,640	-
<b>Total comprehensive income</b>	<b>(24,862)</b>	<b>(14,570)</b>	<b>129,498</b>	<b>13,229</b>	<b>33,230</b>	<b>23,703</b>
Profit attributable to non-controlling interest	(7,254)	(8,587)	63,087	6,482	8,129	11,614
Other comprehensive income attributable to non-controlling interest	(204)	4,216	225	-	4,992	-
<b>Total comprehensive income attributable to non-controlling interest</b>	<b>(7,459)</b>	<b>(4,371)</b>	<b>63,454</b>	<b>6,482</b>	<b>16,283</b>	<b>11,614</b>
<b>Summarised statement of cash flow</b>						
Cash flows from (used in) operating activities	36,170	(680)	165,696	(87,118)	54,221	160,501
Cash flows from (used in) investing activities	(1,153)	(49,206)	(24,692)	(51,236)	(27,692)	(66)
Cash flows from (used in) financing activities	-	53,414	(102,189)	136,287	(45,963)	(159,651)
<b>Net increase in cash and cash equivalents</b>	<b>35,017</b>	<b>3,528</b>	<b>38,815</b>	<b>(2,067)</b>	<b>(19,434)</b>	<b>784</b>

### 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, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

#### Investment in DIMO Coastline (Private) Limited

On 22 February 2018, the Group acquired 40% equity interest of DIMO Coastline (Private) Limited for an aggregate consideration of Rs. 58.16 million. DIMO Coastline (Private) Limited is a company incorporated in Republic of Maldives. The Group has acquired the equity interest in 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.

As at 31st March	DIMO Coastline (Private) Ltd	
	2021 Rs.'000	2020 Rs.'000
<b>Statement of Financial Position</b>		
Percentage ownership interest	40%	40%
Non-current assets	235,275	267,399
Current assets	102,184	82,591
<b>Total assets</b>	<b>337,459</b>	<b>349,990</b>
Current liabilities	324,248	283,440
<b>Total liabilities</b>	<b>324,248</b>	<b>283,440</b>
<b>Net assets (100%)</b>	<b>13,211</b>	<b>66,550</b>
Group's share of net assets (40%)	5,285	26,620
<b>Carrying amount of interest in equity-accounted investee</b>	<b>5,285</b>	<b>26,620</b>
<b>Income Statement</b>		
Revenue	159,311	168,215
Depreciation	(29,016)	(22,719)
Interest expense	18,884	18,925
Loss after tax	(47,580)	(40,835)
<b>Total comprehensive income (100%)</b>	<b>(47,580)</b>	<b>(40,835)</b>
<b>Group's Share of results of equity accounted investee, net of tax (40%)</b>	<b>(19,032)</b>	<b>(16,334)</b>

### Reconciliations 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	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	26,620	40,414
Less		
Group's Share of loss recognised in statement of profit or loss and other comprehensive income	(19,032)	(16,334)
Effect of movements in exchange rates	(2,303)	2,540
Carrying amount of interest in equity-accounted investee	5,285	26,620

### 4.13 FAIR VALUE OF ASSETS AND LIABILITIES

#### Accounting Policies

##### Financial assets

##### Recognition and initial measurement

The Group classifies financial assets at initial recognition as investment designated at FVOCI and amortised cost based on the purpose, characteristics and Management's intention in acquiring them. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is required and permitted.

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

##### Classification and measurement

##### Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because it reflects the way the business is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

##### Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

##### Equity Securities measured at FVOCI

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.

##### 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.

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 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.

#### 4.13.1 Financial Assets and Liabilities by Category

##### Financial Assets

As at 31st March

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
i. Financial assets not measured at fair value (At amortized cost)				
- Trade and other receivables	8,243,038	8,519,705	6,144,227	5,684,764
- Deposits	137,906	266,484	126,956	242,339
- Cash and cash equivalents	1,199,232	837,650	848,834	570,503
- Amounts due from subsidiaries	-	-	8,629	132,030
- Amount due from Equity accounted investee	18,642	17,801	18,642	17,801
ii. Equity instruments - FVOCI (At fair value)				
- Financial assets at FVOCI	5,605	6,461	5,537	6,389
<b>Total financial assets</b>	<b>9,604,423</b>	<b>9,648,101</b>	<b>7,152,825</b>	<b>6,653,826</b>

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 123 and 134.

### 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.

**Financial Liabilities**

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
i. Financial liabilities at fair value through profit or loss	-	-	-	-
ii. Other financial liabilities				
- Current portion of long-term borrowings	403,217	202,272	383,585	200,892
- Long-term borrowings	1,085,386	290,206	1,079,000	290,000
- Short-term borrowings	3,062,745	10,794,205	2,274,154	9,589,899
- Trade payables	5,016,289	2,601,473	4,209,461	2,213,340
- Amounts due to related parties	-	-	43,396	9,923
<b>Total financial liabilities</b>	<b>9,567,637</b>	<b>13,888,156</b>	<b>7,989,596</b>	<b>12,304,054</b>

**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		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Financial assets</b>					
FVOCI - Equity instruments	Level 1	5,605	6,461	5,537	6,389
	Level 2	-	-	-	-
	Level 3	-	-	-	-
<b>Non-financial assets</b>					
Freehold land	Level 1	-	-	-	-
	Level 2	-	-	-	-
	Level 3	9,716,800	7,292,785	9,655,500	7,256,428

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 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 process. The Group's risk management process identifies and analyses the risks it faces, establishes appropriate risk limits and controls, and monitors and manages events that could have a substantial impact on capital and earnings.

The overall objectives and policies for the Group's financial risk management are as per the internal treasury practices. It will cover foreign exchange policy, investment policy, financing policy and policies on credit risk and risk limits.

The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee. Further details of management of risk is available from pages 54 to 56.

#### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### (i) Foreign Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

#### Impact to the profitability

As at 31st March

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
US Dollar (USD)				
Appreciation 6%*	69,054	(63,560)	88,773	(41,602)
Depreciation 6%*	(69,054)	63,560	(88,773)	41,602
Euro (EUR)				
Appreciation 6%*	(2,780)	(24,885)	13,942	(7,971)
Depreciation 6%*	2,780	24,885	(13,942)	7,971

\*The spread of the exchange rate is assumed based on the movement of exchange rate in the market during the financial year 20/21.

The Group's exposure to foreign currency changes for all other currencies is not material.

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.

Being imports oriented, fluctuations in foreign currency exchange rates have a significant impact on the cost of material and the stocks purchased by the Group Companies. The Group's financial statements which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk. Group Treasury closely monitors the exchange rates and provide market updates to the Business Clusters on a continuous basis. Further the Group Treasury usually minimises the transaction exposures by selectively entering into forward contracts when future cash flows can be estimated with reasonable accuracy. However with the direction issued by the Central Bank of Sri Lanka on 25th January 2021 informing Licensed Commercial Banks to refrain from entering in to forward contracts of foreign exchange, Group Treasury negotiates with banks to obtain most advantage position and spot rates for the Group for foreign Exchange Transactions. Group also establishes natural hedges wherever possible to mitigate foreign currency risk.

The Sri Lankan Rupee(LKR) witnessed a sharp depreciation against the US Dollar in March 2021, as depicted in below graph. The Group had taken measures to manage risk of LKR depreciation by having foreign currency trade receivables, by invoicing in foreign currencies and through 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.

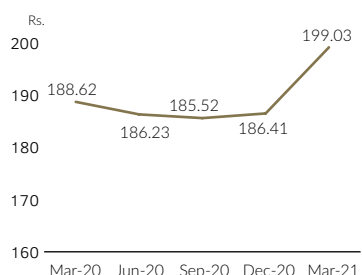
The following table demonstrates Group exposure to currency risk as at the reporting date.

#### Sensitivity Analysis - Based on exchange rate fluctuation

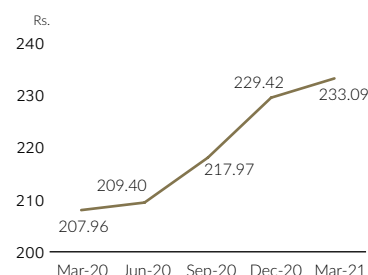
The main foreign currencies that the Group transacts in are the US dollar and the Euro. The following tables demonstrate the sensitivity to a possible change in the US dollar and Euro exchange rate, with all other variables held constant. The analysis relates only to assets and liabilities shown in Financial Statements as at 31st March 2021.



**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 mainly borrows in the short term to fund its working capital requirement of which interest rates mostly linked to floating

rates based on AWPLR. For Long Term funding needs the Group maintains an appropriate mix of fixed and floating interest rates. Cap & floor arrangements are also negotiated wherever appropriate for Long Term Borrowings on floating rates. Group Treasury closely monitors the interest rate fluctuations in the market and negotiates favourable rates on borrowing to manage interest rate risk.

## Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of long term loans affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

### Impact to the profitability

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Increase in 300 Basis Points*	(35,091)	(2,453)	(35,060)	(2,405)
Decrease in 300 Basis Points*	35,091	2,453	35,060	2,405

\*The spread of basis points for the interest rate sensitivity analysis is assumed based on movement of base floating interest rates in the market during Financial Year 2020/21.

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### (iii) Equity price risk

The Group is exposed to equity price risk because of investments in quoted shares held by the Group classified as Equity instruments at FVOCI.

The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

### (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Group's trade receivables.

#### Credit risk exposure

The maximum risk exposure of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade and other receivables	8,243,038	8,519,705	6,144,227	5,684,764
Deposits	134,481	260,935	123,633	236,903
Amounts due from subsidiaries	-	-	27,271	149,831
Cash at bank	1,137,959	704,281	799,770	491,980
<b>Total credit risk exposure</b>	<b>9,515,478</b>	<b>9,484,921</b>	<b>7,094,901</b>	<b>6,563,478</b>

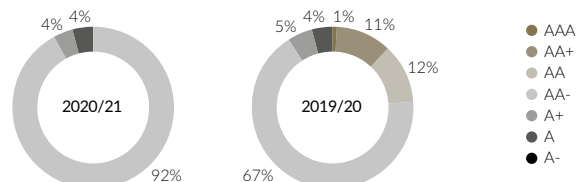
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Age analysis of Trade and other receivables after provision for impairment is disclosed in Note 4.16.2.

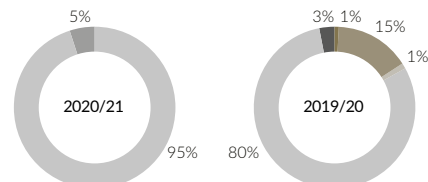
#### Balances with banks

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Fitch Rating				
AAA	-	3,478	-	3,478
AA+	-	75,936	-	73,853
AA	-	86,784	-	4,398
AA-	1,046,115	474,099	756,539	395,842
A+	50,736	33,379	41,566	309
A	41,108	30,557	1,665	14,100
A-	-	48	-	-
<b>Total bank balances (Note 4.18)</b>	<b>1,137,959</b>	<b>704,281</b>	<b>799,770</b>	<b>491,980</b>

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 meet any unforeseen obligations and opportunities without incurring unacceptable losses or risking damage to the Group's reputation. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk. The Group's objective is to maintain a balance between continuity of funding

and flexibility through the use of bank overdrafts, finance leases and bank loans. Access to sources of funding is sufficiently available under both normal and stressed conditions.

The Group considered that Cash flow scrutiny is paramount in the days and months ahead and has adopted a disciplined approach across the Group including setting up of Group-wide spend control, reducing operating costs and defer capital expenditure to secure the financial position of the Group. If required Group/Company has unutilised bank facilities as at 31st March 2021 amounted to Rs. 11,084 million.

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:

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

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence in order to sustain future

development of the business. The impact of the shareholders' return is also recognised and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

Given below is a summary of the capital structure of the Group and the Company as follows:

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Long-term borrowings (Note 4.22.1.1)	1,488,603	492,478	1,462,585	490,892
Equity	14,541,982	11,979,010	13,171,412	10,669,432
<b>Total equity and long-term borrowings</b>	<b>16,030,585</b>	<b>12,471,488</b>	<b>14,633,997</b>	<b>11,160,324</b>
Gearing ratio (%)	9%	4%	10%	4%

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.14 EQUITY SECURITIES

#### Accounting Policy

After initial measurement, Equity Securities are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains or losses are recognized in 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.

#### Carrying Value of Equity instruments

	No. of Shares	Market Value per share	Group		Fair Value		No. of Shares	Market Value per share	Company		Fair Value
			Total Cost						Total Cost		
As at 31st March		2021 Rs.	Rs.'000	2021 Rs.'000	2020 Rs.'000			2021 Rs.	Rs.'000	2021 Rs.'000	2020 Rs.'000
Quoted Investments											
Ordinary Shares											
Hunas Falls Hotels PLC	900	152	14	136	144	450	152	7	68	72	
Hatton National Bank PLC (non-voting)	37,028	97	700	3,599	4,889	37,028	97	700	3,599	4,889	
Ceylinco Insurance PLC (non-voting)	1,700	1,100	298	1,870	1,428	1,700	1,100	298	1,870	1,428	
			1,012	5,605	6,461			1,005	5,537	6,389	

### 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		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Raw material	325,674	409,921	116,232	219,683
Stock-in-trade and finish goods	3,948,191	5,509,079	3,539,409	5,171,240
Work-in-progress (at cost)	1,369,782	918,314	311,613	373,778
Provision for slow moving inventories (Note 4.15.1)	(415,953)	(433,484)	(320,730)	(347,195)
	5,227,694	6,403,830	3,646,524	5,417,506
Goods-in-transit	971,124	1,604,022	739,972	1,460,763
<b>Total inventories at the lower of cost and net realisable value</b>	<b>6,198,818</b>	<b>8,007,852</b>	<b>4,386,496</b>	<b>6,878,269</b>

#### 4.15.1 Movement in Provision for Slow Moving Inventories

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	433,484	363,865	347,195	327,859
(Reversal of)/provision for slow moving inventories	(17,531)	69,619	(26,465)	19,336
<b>At the end of the year</b>	<b>415,953</b>	<b>433,484</b>	<b>320,730</b>	<b>347,195</b>

Inventories jointly with trade receivables have been pledged as security for short-term borrowings are given in Note 4.16.3

No inventory written off has been made during the Financial Year 2020/21 (2019/20 - Rs.5.8 million).

#### 4.16 TRADE AND OTHER RECEIVABLES

##### Accounting Policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

##### Accounting Estimate - Provision for Impairment

Group/Company makes impairment for receivables based on the simplified approach to provide for Expected Credit Losses (ECLs) as per SLFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade receivables	9,360,339	9,166,932	7,090,929	6,267,823
Provision for impairment (Note 4.16.1)	(1,123,532)	(965,231)	(953,100)	(797,729)
	8,236,807	8,201,701	6,137,829	5,470,094
Other receivables	6,231	5,723	6,398	5,555
<b>Carrying value</b>	<b>8,243,038</b>	<b>8,207,424</b>	<b>6,144,227</b>	<b>5,475,649</b>

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

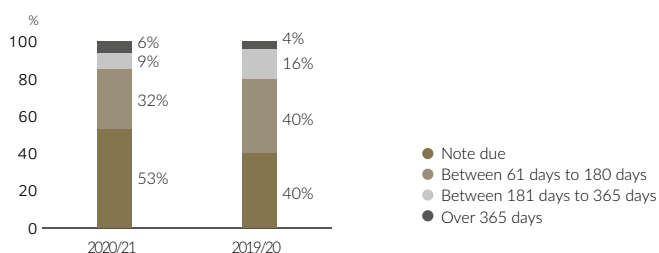
### 4.16.1 Movement in Provision for Impairment of Trade Receivables

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	965,231	641,759	797,729	552,707
Provision for impairment of trade receivables	158,313	323,472	155,371	245,022
write-off during the year	(12)	-	-	-
<b>At the end of the year</b>	<b>1,123,532</b>	<b>965,231</b>	<b>953,100</b>	<b>797,729</b>

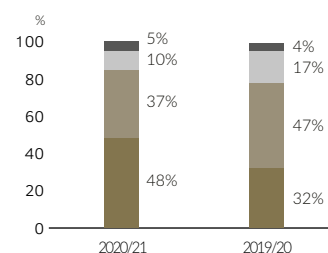
### 4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Neither past due nor impaired	4,352,709	3,287,928	2,960,387	1,753,056
Past due but not impaired				
Between 61 days to 180 days	2,642,577	3,272,619	2,244,087	2,542,035
Between 181 days to 365 days	777,086	1,290,135	644,402	952,557
Over 365 days	464,435	351,019	288,953	222,446
Net trade receivables - maximum exposure to credit risk	8,236,807	8,201,701	6,137,829	5,470,094
Provision for impairment	1,123,532	965,231	953,100	797,729
<b>Gross trade receivables</b>	<b>9,360,339</b>	<b>9,166,932</b>	<b>7,090,929</b>	<b>6,267,823</b>

Trade Receivables Age Analysis - Group



Trade Receivables Age Analysis - Company



### 4.16.3 Carrying amount of trade receivables, net of impairment, are denominated in the following currencies

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Currency				
Sri Lankan Rupees	7,326,346	7,060,116	5,493,795	4,627,129
USD	788,173	994,024	549,815	759,133
Euro	97,043	145,809	80,384	81,839
Japanese Yen	-	1,254	-	1,254
Other	25,245	498	13,835	739
	<b>8,236,807</b>	<b>8,201,701</b>	<b>6,137,829</b>	<b>5,470,094</b>

Banking facilities for subsidiaries, PlantChem (Pvt) Ltd and Plant Seeds (Pvt) Ltd have been obtained by providing a concurrent mortgage on book debts and inventory to three banks for Rs. 436 million, Rs. 360 million and Rs. 200 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		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Deposits	137,906	266,484	126,956	242,339
Prepayments	1,412,728	1,766,170	1,005,666	1,557,988
Other receivables	211,230	59,275	110,734	43,786
	1,761,864	2,091,929	1,243,356	1,844,113

#### 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 form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of preparing the Statement of Cash Flows.

##### Carrying Value of Cash and Cash Equivalents

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Bank balances	1,137,959	704,281	799,770	491,980
Cash in hand	61,273	133,369	49,064	78,523
	1,199,232	837,650	848,834	570,503

##### Review of credit risk

The credit risk relating to Group bank balances are analysed according to credit ratings of each bank which is available on page 116.

#### 4.18.1 Carrying amount of cash and cash equivalents are denominated in the following currencies

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Currency				
Sri Lankan Rupees	591,834	377,276	397,370	183,737
USD	570,894	333,576	417,709	275,424
Euro	36,503	123,122	33,754	110,522
Other	1	3,676	1	820
	1,199,232	837,650	848,834	570,503

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.19 STATED CAPITAL

As at 31st March	Company			
	No. of Shares	2021 Rs.'000	No. of Shares	2020 Rs.'000
Ordinary Shares				
Issued and Fully-paid Ordinary Shares				
<b>At the end of the year</b>	<b>8,876,437</b>	<b>425,297</b>	<b>8,876,437</b>	<b>425,297</b>

On 07th May 2021, the Board of Directors decided to capitalize Rs. 195,281,350.00 of its reserves as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share. It is currently in process.

### 4.20 REVENUE RESERVE

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	7,476,214	7,259,568	6,186,760	5,890,962
<b>Statement of Profit or Loss and other comprehensive income</b>				
Profit for the year	486,713	195,011	448,052	267,721
2019/20 Final dividend (Note 4.8)	(22,191)	(22,191)	(22,191)	(22,191)
<b>Other Comprehensive Income</b>				
Actuarial gain arising from employees benefits (Net of tax)	35,944	43,826	34,753	50,268
<b>At the end of the year</b>	<b>7,976,680</b>	<b>7,476,214</b>	<b>6,647,374</b>	<b>6,186,760</b>

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

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	4,077,499	4,055,979	4,057,375	4,052,680
<b>Other Comprehensive Income</b>				
Revaluation of freehold land, net of tax	2,069,893	-	2,047,865	-
Net fair value losses on remeasuring Equity Securities	(856)	(527)	(852)	(518)
Foreign currency translation reserve (Note 4.21.1)	(6,531)	22,047	(5,647)	5,213
<b>At the end of the year</b>	<b>6,140,005</b>	<b>4,077,499</b>	<b>6,098,741</b>	<b>4,057,375</b>



#### 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.

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	30,228	8,181	10,168	4,955
Net gains arising from translating the Financial Statements of foreign operations	(6,735)	26,501	(5,647)	5,213
Foreign Currency Translation Reserve attributable to non-controlling Interest	204	(4,454)	-	-
	(6,531)	22,047	(5,647)	5,213
<b>At the end of the year</b>	<b>23,697</b>	<b>30,228</b>	<b>4,521</b>	<b>10,168</b>

#### 4.22 LONG-TERM AND SHORT-TERM BORROWINGS

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequently, they are stated at amortised cost, any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in Profit or Loss over the period of the loan using the effective interest method.

##### 4.22.1 Long-term Borrowings

##### 4.22.1.1 Movement of Long-term Borrowings

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	491,766	842,821	490,180	840,140
Loans obtained during the year	1,325,000	-	1,300,000	-
Repayments during the year	(332,068)	(351,055)	(331,500)	(349,960)
<b>At the end of the year (before adjusting interest payable)</b>	<b>1,484,698</b>	<b>491,766</b>	<b>1,458,680</b>	<b>490,180</b>
Interest payable	3,905	712	3,905	712
<b>At the end of the year</b>	<b>1,488,603</b>	<b>492,478</b>	<b>1,462,585</b>	<b>490,892</b>
Classified as current liabilities (repayable within one year)	403,217	202,272	383,585	200,892
Classified as non current liabilities (repayable after one year)	1,085,386	290,206	1,079,000	290,000

##### 4.22.1.2 Principal Amounts of Long-term Borrowings

As at 31st March	Currency	Group		Outstanding as at		Company		Outstanding as at	
		2021 Rs.'000	2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Commercial Bank of Ceylon PLC	LKR	800,000	800,000	-	80,180	800,000	800,000	-	*80,180
Commercial Bank of Ceylon PLC	LKR	500,000	-	408,700	-	500,000	-	**408,700	-
HSBC Bank	LKR	600,000	600,000	290,000	410,000	600,000	600,000	290,000	***410,000
Hatton National bank	LKR	800,000	-	759,980	-	800,000	-	****759,980	-
DFCC Bank	LKR	4,000	**** 4,000	1,018	1,586	-	-	-	-
Sampath Bank	LKR	*****25,000	-	25,000	-	-	-	-	-
<b>Total</b>		<b>2,729,000</b>	<b>1,404,000</b>	<b>1,484,698</b>	<b>491,766</b>	<b>2,700,000</b>	<b>1,400,000</b>	<b>1,458,680</b>	<b>490,180</b>

\* Repayable in 60 instalments commenced from October 2015

\*\* Repayable in 60 instalments commenced from April 2020

\*\*\* Repayable in 60 instalments commenced from September 2018

\*\*\*\* Repayable in 48 instalments commenced from September 2017

\*\*\*\*\* Repayable in 60 instalments commenced from December 2020

\*\*\*\*\* Repayable in 15 instalments commenced from May 2021

Security pledged against the above bank loan facilities are disclosed in Note 4.9.3.

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 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	Hatton National bank Rs.'000	Sampath bank Rs.'000	Total 2021 Rs.'000	2020 Rs.'000
Movement of Loans							
At the beginning of the year	80,180	410,000	1,586	-	-	491,766	842,821
Loans obtained during the year	500,000	-	-	800,000	25,000	1,325,000	-
Repayments during the year	(171,480)	(120,000)	(568)	(40,020)	-	(332,068)	(351,055)
At the end of the year	408,700	290,000	1,018	759,980	25,000	1,484,698	491,766

### Analysis of Long-term Borrowings by Period of Repayment

Repayable - within 1 year	99,600	120,000	1,018	160,080	18,614	399,312	201,560
- 1 to 5 year	309,100	170,000	-	599,900	6,386	1,085,386	290,206
	408,700	290,000	1,018	759,980	25,000	1,484,698	491,766

Company As at 31st March	Commercial Bank of Ceylon PLC Rs.'000	HSBC Bank Rs.'000	Hatton National bank Rs.'000	Total 2021 Rs.'000	2020 Rs.'000
Movement of Loans					
At the beginning of the year	80,180	410,000	-	490,180	840,140
Loans obtained during the year	500,000	-	800,000	1,300,000	-
Repayments during the year	(171,480)	(120,000)	(40,020)	(331,500)	(349,960)
At the end of the year	408,700	290,000	759,980	1,458,680	490,180

### Analysis of Long-term Borrowings by Period of Repayment

Repayable - within 1 year	99,600	120,000	160,080	379,680	200,180
- 1 to 5 year	309,100	170,000	599,900	1,079,000	290,000
	408,700	290,000	759,980	1,458,680	490,180

### 4.22.2 Short-term Borrowings

As at 31st March	Group 2021 Rs.'000	2020 Rs.'000	Company 2021 Rs.'000	2020 Rs.'000
Short-term bank loans	2,903,841	10,656,081	2,171,004	9,484,786
Bank overdrafts	158,904	138,124	103,150	105,113
	3,062,745	10,794,205	2,274,154	9,589,899

Short-term bank loans are repayable within a period of six months. Details of inventories and trade receivables which have been pledged against the above short-term loan facilities are disclosed in Note 4.16.3.

Unutilised bank facilities as at 31st March 2021 amounted to Rs. 11,084 million (2019/20 - Rs. 7,808 million).

### 4.22.3 Lease liabilities

#### Accounting Policy

At the inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

This policy is applied to contracts entered into, on or after 1st April 2019.

#### Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### Lease liabilities

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Finance lease (Note 4.22.3.1)	31,436	30,154	-	-
Lease liabilities arising from Right-of-Use of assets (Note 4.22.3.2)	504,558	469,693	423,105	452,971
	535,994	499,847	423,105	452,971
Lease Liabilities are presented in Financial position as follows;				
Classified as non current liabilities	395,451	418,857	321,019	395,875
Classified as current liabilities	140,543	80,990	102,086	57,096
	535,994	499,847	423,105	452,971

#### 4.22.3.1 Movement of Finance Lease Liabilities

As at 31st March	Group	
	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	30,154	13,926
New leases obtained	13,945	30,884
Repayments	(17,073)	(18,941)
Finance Lease Expense recognised in statement of profit or loss and other comprehensive income	4,410	4,285
Present value of minimum lease payments	31,436	30,154
Finance charge unamortised	4,047	5,144
Future minimum lease payments	35,483	35,298
Finance Lease Liabilities are presented in Financial position as follows;		
Classified as non current liabilities	14,362	14,689
Classified as current liabilities	17,074	15,465
	31,436	30,154

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### Analysis of Finance Lease Liabilities by period of Re-payment

As at 31st March	Group - 2021			Group - 2020		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	Rs.'000			Rs.'000	Rs.'000	Rs.'000
Repayable - within one year	19,867	(2,793)	17,074	19,186	(3,721)	15,465
- 1 to 5 year	15,616	(1,254)	14,362	16,112	(1,423)	14,689
	35,483	(4,047)	31,436	35,298	(5,144)	30,154

### 4.22.3.2 Movement in lease liabilities arising from Right-of-Use of assets

As at 31st March	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>				
At the beginning of the year	469,693	-	452,971	-
Impact from initial application of SLFRS 16	-	497,942	-	460,863
Additions during the year	172,372	32,212	92,703	32,212
Accretion of interest	60,107	57,420	52,719	54,202
Payments to lease creditors	(136,253)	(108,550)	(113,927)	(84,975)
Derecognition of operating lease agreements during the year	(61,423)	(9,331)	(61,423)	(9,331)
Effect of movements in exchange rates	62	-	62	-
At the end of the year	504,558	469,693	423,105	452,971
<b>Amounts recognised in profit or loss</b>				
Interest on lease liabilities - Leases under SLFRS 16	60,107	57,420	52,719	54,202
<b>Lease liabilities arising from Right-of-Use of assets are presented in Financial position as follows;</b>				
Classified as non current liabilities	381,089	404,168	321,019	395,875
Classified as current liabilities	123,469	65,525	102,086	57,096
	504,558	469,693	423,105	452,971
<b>Maturity Analysis of lease payments</b>				
- Less than 1 year	123,469	65,525	102,086	57,096
- 1 to 5 year	214,787	292,366	154,717	284,073
- More than 5 years	166,302	111,802	166,302	111,802
	504,558	469,693	423,105	452,971

Expenses relating to short term leases and leases of low value assets amounting to Rs. 7.9 million has recognized in Income Statement.

## 4.23 EMPLOYEE BENEFITS

### Accounting Policy

#### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

#### Defined contribution plan

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

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in Profit or Loss as the related service is provided.

#### Defined benefit obligation

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees.

Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS -19 on 'Employee Benefits'.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date. The calculation is performed annually by a qualified actuary using the projected unit credit method (PUC). Remeasurement of the defined benefit liability, which comprises actuarial gains and losses are recognised immediately in Other Comprehensive Income. The Group recognises the increase in defined benefit liability attributable to the services provided by employees during the year (current service cost) in Profit or Loss together with the interest expenses. In the absence of a deep market in long term corporate bonds in Sri Lanka, the discount rate has been derived, and approximation of a long term interest rate of 8.5% (2019/20 - 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

As at 31st March	Group		Company	
	2021 Rs:'000	2020 Rs:'000	2021 Rs:'000	2020 Rs:'000
At the beginning of the year	774,909	736,445	705,369	686,890
Included in Profit or Loss				
Current service cost	60,832	58,529	50,392	49,520
Interest cost	79,545	82,950	74,064	78,992
	140,377	141,479	124,456	128,512
Included in Other Comprehensive Income				
Net actuarial gain	(47,295)	(60,870)	(45,727)	(69,817)
	(47,295)	(60,870)	(45,727)	(69,817)
Total charge for the year	93,082	80,609	78,729	58,695
Included in Statement of Cash Flows				
Paid during the year	(69,983)	(42,145)	(68,259)	(40,216)
At the end of the year	798,008	774,909	715,839	705,369
The expenses are recognised in the income statement in the following line item;				
Administrative expenses	140,377	141,479	124,456	128,512
	140,377	141,479	124,456	128,512

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.23.2 Principal Actuarial Assumptions

An actuarial valuation was carried out as at 31st March 2020 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

Assumption	2021	2020
<b>Financial</b>		
Rate of discount	8.50% p.a.	10.50% p.a.
Salary escalation rate	8.00% p.a.	9.50% p.a.
<b>Demographic</b>		
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		
- Up to age 49	14%	13%
- 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 2021 amounted to Rs. 761.1 million (2019/20- Rs.781.2 million) and Rs. 692.5 million (2019/20- Rs.722.9 million) respectively.

### 4.23.3 Sensitivity Analysis

A one percentage change at the reporting date to one of the actuarial assumptions would have the following effects to defined benefit obligation.

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	(30,803)	34,305	(26,997)	30,009	747,851	812,959	688,842	745,848
Salary escalation rate	37,369	(34,182)	32,798	(30,063)	816,023	744,472	748,637	685,776

### 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 2021	Group Rs. '000	Company Rs. '000
Within the next 12 months	269,819	243,863
Between 1-2years	188,673	177,045
Between2-5 years	143,005	122,156
Between5-10 years	105,580	97,239
Beyond 10 years	90,931	75,536
	798,008	715,839

#### 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.

##### Carrying Value of Deferred Tax Assets/(Liabilities)

##### As at 31st March

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Summary of net deferred tax assets/(liabilities)</b>				
At the beginning of the year	(1,580,163)	(1,758,002)	(1,677,460)	(1,809,338)
Reversal of temporary differences to Profit or Loss due to during the year transactions	183,525	192,399	152,366	151,427
Origination of temporary differences to Profit or Loss due to income tax rate change	(31,897)	-	(6,702)	-
<b>Total Reversal of temporary differences to Profit or Loss (Note 4.24.2)</b>	<b>151,628</b>	<b>192,399</b>	<b>145,664</b>	<b>151,427</b>
Origination of temporary differences to Other Comprehensive Income due to during the year transactions	(691,702)	(14,560)	(684,543)	(19,549)
Origination of temporary differences to Other Comprehensive Income due to income tax rate change	326,055	-	322,362	-
<b>Origination of temporary differences to Other Comprehensive Income (Note 4.24.2)</b>	<b>(365,647)</b>	<b>(14,560)</b>	<b>(362,181)</b>	<b>(19,549)</b>
<b>At the end of the year (Note 4.24.1)</b>	<b>(1,794,182)</b>	<b>(1,580,163)</b>	<b>(1,893,977)</b>	<b>(1,677,460)</b>
Made up as follows:				
Deferred tax assets	99,795	97,341	-	-
Deferred tax liabilities	(1,893,977)	(1,677,504)	(1,893,977)	(1,677,460)
	(1,794,182)	(1,580,163)	(1,893,977)	(1,677,460)

##### Accounting Estimate

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

##### Recoverability of temporary difference arising from tax losses

As at 31st March 2021, the Group has recognised Rs. 99.8 million as a deferred tax assets on the deductible temporary differences arising from tax losses, defined benefit obligations, obsolete stocks, debtor impairment, free service provision and warranty provision. According to the Group/ Company policy, a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which it can be used. In the background of the Business Continuity Plans in place, the Board of Directors has assessed the post-lockdown economic implications of COVID-19 pandemic on the Group and is of the view that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As explained in Note 4.6, the income tax rates applicable to Group/ Company have been changed according to the amendments made in the Inland Revenue Act No. 24 of 2017.

An amount of Rs. 326 million deferred tax reversal was recognised in the Group's Other Comprehensive Income (in the Company – Rs. 322 million) in respect of the change in the income tax rates.

Accordingly, a Rs. 32 million deferred tax expense was recognised in Group's Profit or Loss account (in the Company – Rs. 6.7 million) in respect of the change in the income tax rates.

### 4.24.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Deferred Tax Liability</b>				
Temporary difference arising from property, plant and equipment	(10,211,168)	(7,686,865)	(10,158,517)	(7,621,450)
Temporary difference arising from unrealized exchange gain/loss	101,875	(39,205)	127,982	(33,493)
Temporary difference arising from long term contracts	(60,892)	(55,202)	26,907	(46,049)
<b>Total temporary difference of deferred tax liability</b>	<b>(10,170,185)</b>	<b>(7,781,272)</b>	<b>(10,003,628)</b>	<b>(7,700,992)</b>
Closing deferred tax liability @ 28%	-	(2,179,264)	-	(2,156,279)
Closing deferred tax liability @ 25%	2,029	454	-	-
Closing deferred tax liability @ 24%	(2,432,666)	-	(2,400,871)	-
Closing deferred tax liability @ 18%	(7,595)	-	-	-
	<b>(2,438,232)</b>	<b>(2,178,810)</b>	<b>(2,400,871)</b>	<b>(2,156,279)</b>
<b>Deferred Tax Assets</b>				
Temporary difference arising from defined benefit obligation	798,009	774,908	715,839	705,368
Temporary difference arising from obsolete stock	417,038	433,483	320,730	347,195
Temporary difference arising from debtors impairment	808,822	649,861	637,710	481,720
Temporary difference arising from free service provision	59,155	68,936	59,155	68,936
Temporary difference arising from SLFRS adjustments	197,131	95,619	154,756	69,159
Temporary difference arising from warranty provision	31,239	41,328	26,843	37,689
Temporary difference arising from tax losses	120,413	69,103	-	-
Temporary difference arising from movement of exchange loss	10,738	9,848	-	-
Temporary difference arising from non sales incentives	190,000	-	167,200	-
Temporary difference arising from bonus provision	37,141	-	29,889	-
Temporary difference arising from customer incentive provision	68,755	-	-	-
<b>Total temporary difference of deferred tax assets</b>	<b>2,738,441</b>	<b>2,143,086</b>	<b>2,112,122</b>	<b>1,710,067</b>
Closing deferred tax assets @ 28%	-	587,007	-	478,819
Closing deferred tax assets @ 25%	27,046	11,640	-	-
Closing deferred tax assets @ 24%	582,060	-	506,894	-
Closing deferred tax assets @ 18%	34,944	-	-	-
	<b>644,050</b>	<b>598,647</b>	<b>506,894</b>	<b>478,819</b>
<b>Net temporary differences</b>	<b>(7,431,744)</b>	<b>(5,638,186)</b>	<b>(7,891,506)</b>	<b>(5,990,925)</b>
<b>Net deferred tax liability</b>	<b>(1,794,182)</b>	<b>(1,580,163)</b>	<b>(1,893,977)</b>	<b>(1,677,460)</b>



## 4.24.2 Movement in Deferred Tax Assets and Liabilities during the year

	Group				Company			
	As at 01.04.2020	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2021	As at 01.04.2020	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment								
- Deferred tax liability	(574,726)	58,322	-	(516,404)	(562,013)	47,153	-	(514,860)
Revaluation of lands								
- Deferred tax liability	(1,577,673)	-	(354,122)	(1,931,795)	(1,571,992)	-	(351,207)	(1,923,199)
Retirement benefit obligation								
- Deferred tax asset	216,976	(15,206)	(11,351)	190,419	197,502	(14,727)	(10,974)	171,801
Obsolete stock								
- Deferred tax asset	121,375	(25,826)	-	95,549	97,214	(20,239)	-	76,975
Debtor impairment								
- Deferred tax asset	181,961	10,308	-	192,269	134,881	18,169	-	153,050
Warranty provision								
- Deferred tax asset	11,572	(4,075)	-	7,497	10,553	(4,111)	-	6,442
Free service provision								
- Deferred tax asset	19,302	(5,105)	-	14,197	19,302	(5,105)	-	14,197
SLFRS adjustments								
- Deferred tax asset	26,772	20,538	-	47,310	19,364	17,777	-	37,141
Long term contracts								
- Deferred tax liability	(15,457)	842	-	(14,615)	(12,894)	19,351	-	6,457
Unrealized gain/loss								
- Deferred tax liability	(10,977)	35,493	-	24,516	(9,377)	40,094	-	30,717
Tax losses								
- Deferred tax asset	18,250	9,447	-	27,697	-	-	-	-
Bonus provision								
- Deferred tax asset	-	8,914	-	8,914	-	7,174	-	7,174
Customer incentive provision								
- Deferred tax asset	-	12,376	-	12,376	-	-	-	-
Non sales incentives								
- Deferred tax asset	-	45,600	-	45,600	-	40,128	-	40,128
Effect of movement in exchange rates	2,462	-	(174)	2,288	-	-	-	-
	(1,580,163)	151,628	(365,647)	(1,794,182)	(1,677,460)	145,664	(362,181)	(1,893,977)

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.25 CONTRACT LIABILITIES AND DEFERRED INCOME

#### 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 Statement of Profit or Loss and Other Comprehensive income.

##### Carrying Value of Contract Liabilities

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	803,821	761,970	390,168	448,169
During the year addition	8,939,241	11,118,009	5,603,390	9,498,703
Amortisation	(8,559,852)	(11,076,158)	(5,485,069)	(9,556,704)
	<b>1,183,210</b>	<b>803,821</b>	<b>508,489</b>	<b>390,168</b>
Classified as current liabilities	814,131	706,666	455,590	335,690
Classified as non current liabilities	369,079	97,155	52,899	54,478
	<b>1,183,210</b>	<b>803,821</b>	<b>508,489</b>	<b>390,168</b>

#### 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		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Government grant (Note 4.25.2.1)	546,521	184,224	546,521	184,224
	<b>546,521</b>	<b>184,224</b>	<b>546,521</b>	<b>184,224</b>
Classified as current liabilities	546,521	184,224	546,521	184,224
Classified as non current liabilities	-	-	-	-
	<b>546,521</b>	<b>184,224</b>	<b>546,521</b>	<b>184,224</b>

#### Unprovided free services relating to vehicle sales

##### Accounting Policy

The Company sells vehicles bundled with free services to the customers with limitations on mileage or usage period. The unprovided free services are recognised as contract liability at the time of selling the vehicles at its relative fair value and recognised as revenue when the performance obligation relating to liability is satisfied. i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

##### Accounting Estimate - Relative fair value of free services

The amount charged by the Company in respect of each service is recognised at the relative fair value of free services. These amounts are estimated using the combination of historical experience in service and price changes.

#### 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		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	184,224	66,615	184,224	66,615
Grants received during the year	2,119,240	882,762	2,119,240	882,762
Amortised during the year	(1,756,943)	(765,153)	(1,756,943)	(765,153)
<b>At the end of the year</b>	<b>546,521</b>	<b>184,224</b>	<b>546,521</b>	<b>184,224</b>

Details of grants are as follows;

Beneficiary	Purpose	Grantor	Carrying value	
			2021 Rs.'000	2020 Rs.'000
Diesel & Motor Engineering PLC	Subsidy for fertiliser	Ministry of Agriculture	546,521	184,224

#### 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 warranty liability. A provision for warranty is recognised to cover such exposure to a liability. The provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said warranty provision will be reversed upon expiration of the warranty period.

##### 4.26.3 Provision for litigation and claims

The Management considers likelihood of any claim succeeding, in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. The timing and cost ultimately depend on the due process in the respective legal jurisdictions.

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for warranty	31,239	41,328	26,842	37,689
	<b>42,239</b>	<b>52,328</b>	<b>37,842</b>	<b>48,689</b>

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### Carrying value of warranty provision

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	41,328	28,324	37,689	25,999
Provision made during the year	21,752	21,773	16,048	19,198
Amount used/reversed during the period	(31,841)	(8,769)	(26,895)	(7,508)
<b>Carrying value at the end of the year</b>	<b>31,239</b>	<b>41,328</b>	<b>26,842</b>	<b>37,689</b>

### 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		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade payables	5,016,289	2,601,473	4,209,461	2,213,340

#### 4.27.1 Carrying amount of trade payables are denominated in the following currencies

As at 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Currency				
Sri Lankan Rupees	1,773,828	1,902,481	1,372,516	1,759,499
USD	2,919,003	543,023	2,519,057	316,487
Euro	323,458	155,969	317,888	137,354
	<b>5,016,289</b>	<b>2,601,473</b>	<b>4,209,461</b>	<b>2,213,340</b>

#### 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 0.90:1 and 0.84:1 respectively (2019/20 - Group 0.71:1, Company 0.61:1). As a liquidity risk management measure, the Group/Company continuously compare trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

The trade payables of the Group include an amount of Rs. 971 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		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Advanced received	543,775	237,257	400,969	124,991
Unclaimed dividend	10,067	10,113	10,067	10,113
Value Added Tax (VAT)	5,065	17,932	5,065	-
Provisions for litigation and claims (Note 4.26.3)	11,000	11,000	11,000	11,000
Warranty provision (Note 4.26.3)	31,239	41,328	26,842	37,689
Other payables and accrued expenses	1,935,298	1,212,927	1,272,086	738,508
	2,536,444	1,530,557	1,726,029	922,301

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		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Opening balance	301,322	261,231	236,295	293,608
Current tax for the year (Note 4.6)	(335,473)	(270,782)	(319,532)	(204,301)
	(34,151)	(9,551)	(83,237)	89,307
<b>Tax paid during the year:</b>				
Current tax, ESC and withholding tax	41,145	310,873	3,961	146,988
	41,145	310,873	3,961	146,988
<b>Current tax asset</b>	<b>6,994</b>	<b>301,322</b>	<b>(79,276)</b>	<b>236,295</b>
<b>Made up as follows:</b>				
Current tax asset	100,102	306,663	-	236,295
Current tax liability	(93,108)	(5,341)	(79,276)	-
	6,994	301,322	(79,276)	236,295

## SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

### 4.30 AMOUNTS DUE (TO)/FROM SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEE

Name of the Company	DIMO (Private) Ltd	DIMO Industries (Pvt) Ltd	DIMO Travels (Pvt) Ltd	PlantChem (Pvt) Ltd	Plant Seeds (Pvt) Ltd	DIMO Lanka Company Limited	United DIMO Company Limited	DIMO Coastline (Pvt) Ltd*	As at 31.03.2021	As at 31.03.2020
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	33,776	94,828	567	2,859	(9,923)	-	-	17,801	139,908	(54,805)
Sale of goods and services	37,924	1,594	-	962	6,029	-	-	381	46,890	42,794
Purchase of goods and services	(106,427)	(8,923)	-	-	(8,262)	-	-	-	(123,612)	(46,735)
Rendering of Management services	157,556	2,253	-	1,290	3,282	-	-	-	164,381	55,382
Expenses incurred on behalf of subsidiaries/ equity accounted investee	1,671	-	-	-	-	-	-	-	1,671	2,613
Fund transfers - net	(152,655)	(88,575)	200	(3,953)	5,192	-	-	-	(239,791)	140,556
Interest on fund transfers - net	(1,509)	5,527	-	-	-	-	-	-	4,018	4,251
Sale of fixed assets	(10,050)	-	-	-	-	-	-	-	(10,050)	(6,026)
Purchase of fixed asset	-	-	-	-	-	-	-	-	-	844
Exchange rate translation difference	-	-	-	-	-	-	-	460	460	1,034
Closing balance due (to)/from subsidiaries	(39,714)	6,704	767	1,158	(3,682)	-	-	18,642	(16,125)	139,908

\*DIMO Coastline (Pvt) Ltd is an equity-accounted investee.

#### 4.30.1 Summary of Amounts Due (to)/from Subsidiaries and Equity-accounted investee comprise:

As at 31st March	Group	2020 Rs.'000	Company	2020 Rs.'000
	2021 Rs.'000		2021 Rs.'000	
Amounts due from subsidiaries and equity accounted investee	18,642	17,801	27,271	149,831
Amounts due to subsidiaries	-	-	(43,396)	(9,923)
Amounts due (to)/from subsidiaries and equity accounted investee	18,642	17,801	(16,125)	139,908

## SECTION 5 - OTHER DISCLOSURES

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards not covered elsewhere.

### 5.1 RELATED PARTY DISCLOSURES

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

Diesel & Motor Engineering PLC does not have an identifiable parent of its own. The Company is the ultimate parent of the Group.

#### 5.1.1 (a) Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the members of the Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMP. As the Company is the ultimate parent of the subsidiaries (listed in Note 2.2), the Board of Directors of the Company has the authority and responsibility for planning or controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company (Executive and Non Executive) are KMP of the Group.

Key Management Personnel (KMP) are entitled to discount schemes which are uniformly applicable to all employees of the Group.

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

For the year ended 31st March	Group		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Short-term employment benefits	393,364	369,373	351,147	327,815
Post-employment benefits	54,737	52,039	51,349	48,327
Terminal benefits	-	-	-	-
<b>Total compensation applicable to Key Management Personnel</b>	<b>448,101</b>	<b>421,412</b>	<b>402,496</b>	<b>376,142</b>

The Company also has an obligation towards a post-employment benefit plan for the Executive Directors. The liability arising from the post-employment obligation has been provided for, based on an actuarial valuation and is 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.

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

The Group revenue includes sales made to Key Management Personnel amounting to Rs. 15.7 million. (2019/20- Rs. 8.5 million)

#### 5.1.1 (b) The Compensation Paid to Key Management Personnel (KMP)

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

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

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

No loans were granted to KMPs of the Company.

#### 5.1.2 Transactions with Companies in which Key Management Personnel (KMP) have Control or Significant Influence

There were no transactions with companies on which KMP have control.

The transactions with companies in which KMP is a Director of such entities are disclosed in 'Directors' Interests in Contracts' on page 69.

#### 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 2021.

## SECTION 5 - OTHER DISCLOSURES

### 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.

#### 5.1.4 (a) Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Company as per 31 March 2021 audited financial statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

#### 5.1.4 (b) Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2020 audited financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

## 5.2 COMMITMENTS AND CONTINGENCIES

### Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amounted to approximately 1,591 million (2019/20 - Rs. 66.9 million).

### Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets". Further, contingent liabilities are not recognised in Statement of Financial Position but are disclosed unless its occurrence is remote.

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 2021 amounted to Rs.67.2 million (2019/20 - Rs. 72.1 million). Although, there can be no assurance, the Directors believe, based on the information currently available that the ultimate resolution of such lawsuits are not likely to have a material effect on the results of operations, financial position or liquidity.

### Guarantees

The contingent liabilities as at 31st March 2021 on guarantees given by Diesel & Motor Engineering PLC, in respect of bid bonds, performance bonds, advance payment bonds and other bank guarantees amounted to Rs. 4,269.6 million (2019/20 - Rs. 3,148.2 million).

## 5.3 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustments or disclosures in the Financial Statements other than disclose below;

### 5.3.1. Import restriction of inorganic fertiliser and agrochemicals

As per a Gazette notification issued on 06th May 2021, the government imposed a complete ban on the import of inorganic fertiliser and agrochemicals. This will have an impact on the revenue of the Group/Company, including PlantChem (Private) Limited.

The management believes that the diversity of other sources of income and initiatives embarked upon will minimize the impact caused by the above.

### 5.3.2 Capitalisation of reserves

On 07th May 2021, the Board of Directors decided to capitalize Rs. 195,281,350.00 of its reserve as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share, subject to approval from the Colombo Stock Exchange (CSE). The CSE has approved the Board's decision on 20th May 2021, which is before the financial statements were authorised for issue.

Therefore earnings per share (both basic and diluted) have been calculated considering the effect of the above decision as per LKAS 33 "Earnings per share".

### 5.3.3 First and final dividend

Subsequent to the reporting date, the Board of directors of the Company approved a first and final dividend of Rs. 12.50 per share for the year ended 31st March 2021. Details of the above dividend are disclosed in Note 4.8 to the Financial Statements.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2021.





# CONSIDERING OUR RESULTS

This final section contains information that is  
complementary to the main report.

140	Appendix I – Share Information
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145	Appendix IV – GRI Content Index
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153	Corporate Information
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# 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 31st March 2021 was 2,012 (2,053 as at 31st March 2020).

No of Shares Held	RESIDENT			NON RESIDENT			Total		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%	No of Shareholders	Total No of Shares	%
1 - 1,000	1,777	181,365	2.04	17	4,763	0.05	1,794	186,128	2.09
1,001 - 10,000	159	454,309	5.12	3	18,404	0.21	162	472,713	5.33
10,001 - 100,000	39	1,042,278	11.74			0.00	39	1,042,278	11.74
100,001 - 1,000,000	16	5,410,058	60.95			0.00	16	5,410,058	60.95
1,000,001 and over	1	1,765,260	19.89	-	-	0.00	1	1,765,260	19.89
<b>Total</b>	<b>1,992</b>	<b>8,853,270</b>	<b>99.74</b>	<b>20</b>	<b>23,167</b>	<b>0.26</b>	<b>2,012</b>	<b>8,876,437</b>	<b>100.00</b>

Categories of Shareholders	31st March 2021			31st March 2020		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	1,886	5,741,312	64.68	1,925	5,675,085	63.93
Institutions	126	3,135,125	35.32	128	3,201,352	36.07
<b>Total</b>	<b>2,012</b>	<b>8,876,437</b>	<b>100.00</b>	<b>2,053</b>	<b>8,876,437</b>	<b>100.00</b>

### 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 2021 was Rs.530.25 (Rs. 250.00 as at 31st March 2020).

### 4 DIVIDEND PAYMENT

	2020/21 Rs.	2019/20 Rs.
First & Final Dividend - Rs. 2.50 per share	22,191,093	22,191,093

The Board of Directors of the Company declared a first and final dividend of Rs. 12.50 per share on 28th May 2021.

### 5 SHARE TRADING INFORMATION FROM 1ST APRIL 2020 TO 31ST MARCH 2021

	2020/21	Date	2019/20	Date
Highest (Rs.)	672.00	25-Jan-21	350.00	12-Apr-19
Lowest (Rs.)	188.00	12-May-20	245.00	13-Mar-20
Closing (Rs.)	530.25	31-Mar-21	250.00	13-Mar-20
No. of transactions	204		1,403	
No. of shares traded	478,917		417,618	
Value of shares traded (Rs.)	238,221,749		129,139,683	

### 6 PUBLIC SHAREHOLDING

	2020/21	2019/20
Public Holding %	55.59	53.18
No of Public Shareholders	2,000	2,040
Float adjusted market capitalisation	LKR 2,616,471,606.83	LKR 1,180,122,299.15

The Company complies with option 4 of the Listing Rules 7.13.1 (a) – Rs.2.5 billion Float Adjusted Market Capitalization which requires 10% minimum Public Holding.

**7 SHARE ISSUES AND BUY-BACKS FOR THE PAST TWENTY YEARS**

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

On 07th May 2021, the Board of Directors decided to capitalize Rs. 195,281,350.00 of its reserve as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share, which is currently in process.

**8 CHANGES IN SHAREHOLDINGS OF DIRECTORS DURING THE FINANCIAL YEAR 2020/21****8.2 Current Directors**

* Name	Shareholding %	As at 31st March 2021	Movement of Shares	As at 31st March 2020
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 M Pandithage	2.53	224,172	-	224,172
Mr M V Bandara	0.02	1,682	-	1,682
	37.20	3,301,230	-	3,301,230

\* Includes shares held by spouse

**8.2 Directors retired during the year**

Name	Shareholding %	As at 31st March 2020
Mr A N Algama (Retired from the Board on 08th March 2021)	2.41	213,739

**9 TOP TWENTY SHAREHOLDERS**

Name	As at 31st March 2021 Shares	%	As at 31st March 2020 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	640,765	7.22
Mr. S.C. Algama	567,786	6.40	567,786	6.40
Mr. A.G. Pandithage	525,814	5.92	525,814	5.92
Mr. C.R. Pandithage	214,081	2.41	212,081	2.39
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
Almar Trading Co (Pvt) Ltd	191,250	2.15	191,250	2.15
Mr. A.M. Pandithage	182,319	2.05	182,319	2.05
Dr D. Jayantha	160,000	1.80	160,000	1.80
Miss T.R.N.C. Peries	148,009	1.67	148,009	1.67
Seylan Bank PLC/Janashakthi PLC	144,748	1.63	144,748	1.63
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
United Motors Lanka PLC	109,883	1.24	109,883	1.24
Bank Of Ceylon	77,937	0.88	77,937	0.88
Mr. S. Paramanathan	49,591	0.56	-	-
Mrs. I.S. Salgado	46,000	0.52	46,000	0.52
Mrs. H.S. Pandithage	-	-	45,048	0.51
	7,413,400	83.52	7,406,857	83.44

**10 THE STATED CAPITAL REPRESENTS 8,876,437 ORDINARY SHARES AS AT 31ST MARCH 2021.**

## APPENDIX II

### LEVEL OF COMPLIANCE WITH MANDATORY REGULATIONS

This section provides a navigation on the level of compliance to Companies Act and the regulations provided by the Colombo Stock Exchange.

#### 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	82
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	72-128
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	72-75
168 (1) (d)	Accounting Policies and any changes therein	82-138
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	69
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	95
168 (1) (g)	Corporate donations made by the Company during the accounting period	95
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	10-13, 152
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	95
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	67
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	65-68

#### 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	Board diversity – page 23
7.10.2.(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Compliant	Board diversity – page 23
7.10.2.(b)	Independence of Directors	Each Non-Executive Director should submit a declaration of Independence/Non-Independence	Compliant	The Non-Executive Directors have submitted the declarations in the prescribed format.
7.10.3.(a)	Disclosures relating to Directors	The names of Independent Directors should be disclosed in the Annual Report	Compliant	Board profile - pages 10 and 13.
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	Independence of Non-Executive Directors – Page 66
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	Board profile - pages 10 and 13
7.10.3.(d)	Appointment of new Directors	A brief resume of any new Director appointed to the Board	Compliant	Board profile - pages 10 and 13
7.10.5 (a) – (c)	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Report of the Remuneration Committee – Page 31
7.10.6 (a) – (c)	Audit Committee	A listed company shall have an Audit Committee	Compliant	Report of the Audit Committee- pages 29 – 30.

# APPENDIX III

## INDEPENDENT ASSURANCE ON SUSTAINABILITY INDICATORS



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

### TO DIESEL AND MOTOR ENGINEERING PLC

We have been engaged by the Directors of Diesel and Motor Engineering PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31st March 2021. The Sustainability Indicators are included in the Diesel and Motor Engineering PLC's Integrated Annual Report for the year ended 31st March 2021 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Highlights of Value Created and Eroded:	
Profit after tax	03
Net asset per share	
Earnings per share	

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Highlights of Value Created and Eroded: Other non-financial highlights	03
Information provided on following	
Being Robust: Management of Monetised Resources	46-47
Being Agile: Accelerating Growth Through Technology	48-49
Being Resilient: Transforming Our Tribe to be Future Ready	50-51
Being Competitive: Differentiating our Offerings	52-53
Being Sustainable: Responsible Leadership	57-59

### OUR CONCLUSIONS

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

### REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31st March 2021 are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

### LIMITED ASSURANCE SUSTAINABILITY INDICATORS

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31st March 2021, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

### MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

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

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

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

### OUR RESPONSIBILITY

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

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M R Muthur FCA, T J S Rajakumar FCA, M S S K B Jayasekera ACA, G A U Karunaratne FCA, H H Rajapaksa FCA, A W R P Abheekoon ACA, P V S Perera FCA, W W C Perera FCA, W K D C Abeyathreya FCA, R M C B Rajapakse FCA, V N K Shanmugan ACA, C P Jayathirso FCA, Ms. S. Joseph FCA, S T D I Perera FCA, Ms R K D T N Rodrigo FCA, Ms C I K N Perera ACA, Principals: S. K. I. Perera FCA, J. K. I. L. B. Attorney-at-Law, H. S. Goonewardene ACA, M. S. P. M. K. Sumanasekera FCA, W. A. A. Wickramaratne FCA, ACA, MRICS

## APPENDIX III

### INDEPENDENT ASSURANCE REPORT



We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

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

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

#### REASONABLE ASSURANCE OVER REASONABLE ASSURANCE SUSTAINABILITY INDICATORS

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

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

#### LIMITED ASSURANCE ON THE ASSURED SUSTAINABILITY INDICATORS

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

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

- ◉ enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- ◉ enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- ◉ comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- ◉ reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- ◉ reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

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

#### PURPOSE OF OUR REPORT

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

#### RESTRICTION OF USE OF OUR REPORT

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

**CHARTERED ACCOUNTANTS**

Colombo  
28th May 2021

# APPENDIX IV

## GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
GRI 102: General Disclosures 2016					
Organizational profile					
	102-1 Name of the organization	4			
	102-2 Activities, brands, products, and services	38 - 43			
	102-3 Location of headquarters	153			
	102-4 Location of operations	153			
	102-5 Ownership and legal form	153			
	102-6 Markets served	21			
	102-7 Scale of the organization	21, 52 - 53			
	102-8 Information on employees and other workers	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
	102-9 Supply chain	18 - 19			
	102-10 Significant changes to the organization and its supply chain	18 - 19, 5 - 9			
	102-11 Precautionary Principle or approach	22 - 34			
	102-12 External initiatives	5 - 9, 22- 34			
	102-13 Membership of associations	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
Strategy					
	102-14 Statement from senior decision-maker	5 - 9			
	102-15 Key impacts, risks, and opportunities	54 - 56			
Ethics and integrity					
	102-16 Values, principles, standards, and norms of behaviour	16 - 17			
	102-17 Mechanisms for advice and concerns about ethics	27			
Governance					
	102-18 Governance structure	22 - 23			
	102-19 Delegating authority	22 - 23			
	102-20 Executive-level responsibility for economic, environmental, and social topics	57			
	102-21 Consulting stakeholders on economic, environmental, and social topics	16 - 17			
	102-22 Composition of the highest governance body and its committees	10 -13			
	102-23 Chair of the highest governance body	10 -13			
	102-24 Nominating and selecting the highest governance body	33, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-25 Conflicts of interest	33, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-26 Role of highest governance body in setting purpose, values, and strategy	22 - 23			
	102-27 Collective knowledge of highest governance body	33			
	102-28 Evaluating the highest governance body's performance	24, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-29 Identifying and managing economic, environmental, and social impacts	54 - 56, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-30 Effectiveness of risk management processes				

## APPENDIX IV

### GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
	102-31 Review of economic, environmental, and social topics	54 - 56, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-32 Highest governance body's role in sustainability reporting	4, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-33 Communicating critical concerns	16 - 17, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-34 Nature and total number of critical concerns	16 - 17, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Supplimentroy-information-governance-2021.pdf</a>			
	102-35 Remuneration policies			Confidentiality Constraints	Not disclose due to confidentiality of the data
	102-36 Process for determining remuneration	24			
	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
<b>Stakeholder engagement</b>					
	102-40 List of stakeholder groups	16 - 17, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
	102-41 Collective bargaining agreements	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
	102-42 Identifying and selecting stakeholders	16 - 17, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
	102-43 Approach to stakeholder engagement	16 - 17, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
	102-44 Key topics and concerns raised	16 - 17, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
<b>Reporting practice</b>					
	102-45 Entities included in the consolidated financial statements	82			
	102-46 Defining report content and topic Boundaries	4			
	102-47 List of material topics	16 - 17, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
	102-48 Restatements of information	4			
	102-49 Changes in reporting	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>			
	102-50 Reporting period	4			
	102-51 Date of most recent report	4			
	102-52 Reporting cycle	4			
	102-53 Contact point for questions regarding the report	153			
	102-54 Claims of reporting in accordance with the GRI Standards	4			
	102-55 GRI content index	145			
	102-56 External assurance	143 - 144			



GRI Standard	Disclosure	Page number(s) and/or URL(s)
<b>Material Topics</b>		
<b>GRI 200 Economic Standard Series</b>		
<b>Economic Performance</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	36 - 37, 46 - 47, 57 - 59
	103-2 The management approach and its components	36 - 37, 46 - 47, 57 - 59
	103-3 Evaluation of the management approach	36 - 37, 46 - 47, 57 - 59
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	58
	201-2 Financial implications and other risks and opportunities due to climate change	57 - 59
	201-3 Defined benefit plan obligations and other retirement plans	127
	201-4 Financial assistance received from government	None
<b>Indirect Economic Impacts</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	57 - 59
	103-2 The management approach and its components	57 - 59
	103-3 Evaluation of the management approach	57 - 59
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	57 - 59
	203-2 Significant indirect economic impacts	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
<b>Procurement Practices</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-2 The management approach and its components	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-3 Evaluation of the management approach	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
<b>Tax</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	96, 47, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-2 The management approach and its components	96, 47, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-3 Evaluation of the management approach	96, 47, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
GRI 207: Tax 2019	207-1 Approach to tax	96, 47, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	207-2 Tax governance, control, and risk management	96, 47, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	207-3 Stakeholder engagement and management of concerns related to tax	96, 47, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	207-4 Country-by-country reporting	96, 47, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
<b>GRI 300 Environmental Standards Series</b>		
<b>Materials</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-2 The management approach and its components	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-3 Evaluation of the management approach	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>

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### GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)
GRI 301: Materials 2016	301-1 Materials used by weight or volume	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	301-2 Recycled input materials used	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	301-3 Reclaimed products and their packaging materials	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
<b>Energy</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-2 The management approach and its components	57 - 59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
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GRI 302: Energy 2016	302-1 Energy consumption within the organization	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
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GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	417-2 Incidents of non-compliance concerning product and service information and labelling	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	417-3 Incidents of non-compliance concerning marketing communications	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
<b>Customer Privacy</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	57-59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-2 The management approach and its components	57-59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-3 Evaluation of the management approach	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
<b>Socioeconomic Compliance</b>		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	57-59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-2 The management approach and its components	57-59, <a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
	103-3 Evaluation of the management approach	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	<a href="https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf">https://www.dimolanka.com/wp-content/uploads/2021/06/Sustainability-Performance-2020-2021.pdf</a>

# APPENDIX V

## TEN YEAR SUMMARY

Year Ended 31st March	2020/21 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000
<b>Operating Results</b>										
Revenue	30,819,014	34,557,871	38,300,350	43,686,158	44,492,990	37,749,750	28,037,376	20,884,674	27,711,604	39,862,943
Profit before taxation	720,111	279,527	104,119	716,607	1,043,392	1,380,059	847,033	512,858	490,021	3,724,521
Income tax	(183,845)	(78,383)	(27,436)	(193,391)	(386,601)	(433,453)	(250,950)	(119,317)	(27,871)	(1,022,870)
Profit for the year	536,266	201,144	76,683	523,216	656,791	946,606	596,083	393,541	462,150	2,701,651
Profit attributable to Owners of the Company	486,713	195,011	51,307	519,309	656,791	946,606	596,083	393,541	462,150	2,701,651
<b>Capital Employed</b>										
Stated capital	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297
Other components of equity	6,140,005	4,077,499	4,055,979	4,050,962	2,839,898	2,839,356	2,838,894	2,018,475	2,014,752	2,014,752
Revenue reserves	7,976,680	7,476,214	7,259,568	7,268,900	6,899,747	6,725,026	5,973,747	5,473,721	5,191,118	5,000,566
Non-controlling interests	419,270	369,921	339,607	304,203	-	-	-	-	-	-
Total equity	14,961,252	12,348,931	12,080,451	12,049,362	10,164,942	9,989,679	9,237,938	7,917,493	7,631,167	7,440,615
Total borrowings	4,551,348	11,286,683	10,134,164	9,188,923	8,382,217	6,484,996	5,253,838	5,950,126	3,417,800	5,045,829
Total capital employed	19,512,600	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444
<b>Assets Employed</b>										
Non- current assets	14,594,455	12,243,971	11,776,291	11,695,795	8,357,266	7,982,821	8,039,357	6,937,410	5,719,010	4,763,435
Current assets	17,521,696	19,469,319*	17,523,901	16,891,197	14,402,152	12,349,823	9,910,853	9,157,244	7,183,369	10,536,783
Total liabilities (excluding borrowings)	(12,603,551)	(8,077,676)*	(7,085,577)	(7,348,707)	(4,212,259)	(3,857,969)	(3,458,434)	(2,227,035)	(1,851,412)	(2,813,774)
Total assets employed	19,512,600	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444
<b>Cash Flow</b>										
Net cash from/(used in) operating activities	7,557,627	(88,575)	(626,464)	463,058	(654,758)	(836,816)	648,049	(726,849)	3,207,700	(2,430,074)
Net cash used in investing activities	(342,893)	(377,995)	(360,050)	(1,113,776)	(684,812)	(223,129)	(677,408)	(1,361,283)	(970,581)	(788,829)
Net cash from/(used in) financing activities	(6,870,307)	1,244,309	1,245,649	155,879	(847,598)	(495,191)	(340,735)	975,156	(474,062)	277,902
Net increase/(decrease) in cash and cash equivalents	344,427	777,739	259,135	(494,839)	(2,187,168)	(1,555,136)	(370,094)	(1,112,976)	1,763,057	(2,941,001)
<b>Key Indicators</b>										
Earnings per share (Rs.)	52.72	21.12**	5.78	58.50	73.99	106.64	67.15	44.34	51.16	304.36
Net assets per share (Rs.)	1,638.27	1,349.53	1,322.70	1,323.18	1,145.16	1,125.42	1040.73	891.97	859.71	838.24
Market value per share (Rs.)	530.25	250.00	304.70	464.90	559.90	549.70	630.00	505.00	505.00	982.20
Dividend per share (Rs.)	2.50	2.50	-	20.00	24.00	27.00	20.00	10.00	10.00	40.00
Dividends Paid (Rs.'000)	22,191	22,191	-	177,529	213,034	239,664	177,529	88,764	88,764	244,102
Annual sales growth (%)	(10.82)	(9.77)	(12.33)	(1.81)	17.86	34.64	34.25	24.64	(30.48)	35.91
Equity to total assets ratio (%)	45.28	37.77*	40.07	41.09	44.66	49.13	51.46	49.19	59.15	48.63
Debt to equity ratio (%)	30.42	91.40	83.89	76.26	82.46	64.92	56.87	75.15	44.79	67.81
Dividend pay out (%)	4.74	11.83	-	33.93	32.44	25.32	29.78	22.56	19.21	9.04
Dividends cover (no. of times)	21.09	8.45	-	2.95	3.08	3.95	3.36	4.43	5.11	7.61
Price earnings ratio (no. of times)	10.06	11.84**	52.71	7.95	7.57	5.15	9.38	11.39	9.70	3.23
Current ratio (no. of times)	1.39	1.21*	1.24	1.24	1.30	1.47	1.45	1.50	1.71	1.60
Quick asset ratio	0.90	0.71*	0.65	0.54	0.49	0.56	0.75	0.70	0.72	0.31
Turnover to capital employed (no. of times)	1.58	1.46	1.72	2.06	2.40	2.29	1.93	1.51	2.51	3.19
Interest Cover (no. of times)	1.98	1.20	1.07	1.68	2.22	3.93	3.00	2.42	2.42	15.67
Average no. of employees	1,886	1,939	1,906	1,788	1,649	1,554	1,524	1,518	1,433	1,179

\* Amounts presented in previous year have been adjusted due to reclassification adjustment made between other current liability and trade receivables.

\*\*Refer Note "4.7- Earnings Per Share-Basic and Diluted" for further clarification on calculation of EPS in current year and prior year.

# CORPORATE INFORMATION

## Name of the Company

Diesel & Motor Engineering PLC

## Registered Office

P.O. Box 339,  
No. 65, Jethawana 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  
Sampath Bank PLC  
Seylan Bank

## 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 (Retired w.e.f. 01st March 2021)  
M.V. Bandara (Retired w.e.f. 01st March 2021)  
E.D.C. Kodituwakku  
A. G. Pandithage (Appointed on 01st March 2021)  
B. C. S. A. P. Gooneratne (Appointed on 01st March 2021)  
R. K. J. Gunasekara (Appointed on 01st March 2021)  
D. N. K. Kurukulasuriya (Appointed on 01st March 2021)  
A. N. Ranasinghe (Appointed on 01st March 2021 and Retired w.e.f 15th May 2021)

### DIMO Industries (Private) Limited

Subsidiary incorporated in 1979

A.R. Pandithage (Chairman)  
A.G. Pandithage  
S.C. Algama (Retired w.e.f. 01st March 2021)  
B.C.S.A.P. Gooneratne  
A. N. Ranasinghe (Appointed on 01st March 2021 and Retired w.e.f 15th May 2021)  
H. M. P. D. B. Dematawa (Appointed on 01st March 2021)  
D. N. K. Kurukulasuriya (Appointed on 01st March 2021)  
C. R. Pandithage (Appointed on 01st March 2021)  
V. I. Wickramaratne (Appointed on 01st March 2021)

### 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,  
U. Wanigasinghe  
W.P.S.A. Weerawardhana  
A.G.J. Gunathilaka  
A. N. Ranasinghe (Appointed on 15th November 2020 and Retired w.e.f 15th May 2021)

## Plant Seeds (Private) Limited

Subsidiary acquired in 2018

A.R. Pandithage (Chairman)  
A.G. Pandithage  
H.M.P.D.B Dematawa (Managing Director)  
B.C.S.A.P. Gooneratne  
U. Wanigasinghe  
W.P.S.A. Weerawardhana  
A.G.J. Gunathilaka  
A. N. Ranasinghe (Appointed on 15th November 2020 and Retired w.e.f 15th May 2021)

## DIMO Lifeline (Private) Limited

Subsidiary incorporated in 2020

A. R. Pandithage  
A. G. Pandithage  
B.C.S.A.P. Gooneratne  
P. K. W. Mahendra  
D. M. A. P. Dissanayake  
C. F. De. Silva  
S. C. Algama

## Moveflex (Private) Limited

Subsidiary incorporated in 2021

A. R. Pandithage  
A. G. Pandithage  
B.C.S.A.P. Gooneratne  
A. N. Ranasinghe (Retired w.e.f 15th May 2021)  
R. D. M. P. Wickramasinghe

## 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  
U.T. Zin  
U.M.Z. Aung  
H.S. Amaratunga  
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)  
V. Bandara  
B.C.S.A.P. Gooneratne  
H.M. Fullu  
I.G.M. Haleem  
S.A. Maniku



# NOTICE OF THE ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the 76th Annual General Meeting of **DIESEL & MOTOR ENGINEERING PLC** will be held at the DIMO 800, Sirimavo Bandaranaike Mawatha, Colombo 14 to be convened through an "online virtual" platform by using "audio-visual" tools on 28th June 2021 at 9.00 a.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 2021, the Report of the Auditors and the Annual Report of the Board of Directors for the said year.
2. Directors
  - (i) To re-elect Mr. Mudiyansele Vijitha Bandara, Director, who retires by rotation in terms of Article 66 of the Association of the Company.
  - (ii) To re-elect Dr. Harsha Cabral, Director, who retires by rotation in terms of Article 66 of the Association of the Company.
  - (iii) To re-elect Mr. Bodiya Baduge Charindra Suresh Alexius Perera Gooneratne, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.
  - (iv) To re-elect Mr. Aruna Gahanath Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.
  - (v) To elect Mr. Jayantha Michael De Silva, Director, who retires in terms of Article 71 of the Articles of Association of the Company.
  - (vi) To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.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 over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Asoka Ranjith Pandithage"

- (vii) To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 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 over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Sarath Chandrasiri Algama"

- (viii) To re-appoint as a Director Mr. Abeykumar Mohan Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 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. Abeykumar Mohan Pandithage, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Abeykumar Mohan Pandithage"

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 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.

1. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at Registered Office of the Company at No.65, Jethawana Road, Colombo 14 or forwarded by email to agm@dimolanka.com not less than seventy two (72) hours prior to the time appointed for the holding the AGM, together with the duly filled "Shareholder/Proxy holder virtual AGM Registration Form".

By Order of the Board,  
**Diesel & Motor Engineering PLC**  
 Company Registration No. PQ-146



**B.C.S.A.P. Gooneratne**  
 Secretary

Colombo  
 28th May 2021



# 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. Sarath Chandrasiri Algama	whom failing
Mr. Mudiyansele Vijitha Bandara	whom failing
Dr. Harsha Cabral	whom failing
Mr. Bodiabaduge Charindra Suresh Alexius Perera Gooneratne	whom failing
Mr. Pushpawela Kankanamge Wijith Mahendra	whom failing
Mr. Abeykumar Mohan Pandithage	whom failing
Mr. Sri Rama Waidayasekera Mudiyansele Chaminda Ranawana	whom failing
Mr. Asite Drupath Bandara Talwatte	whom failing
Mr. Jayantha Michael De Silva	

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 SIXTH ANNUAL GENERAL MEETING of the Company to be held on Monday 28th June 2021 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 2021, the Report of the Auditors and the Annual Report of the Board of Directors for the said year.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect Mr. Mudiyansele Vijitha Bandara, Director, who retires by rotation in terms of Article 66 of the Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect Dr. Harsha Cabral, Director, who retires by rotation in terms of Article 66 of the Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-elect Mr. Bodiabaduge Charindra Suresh Alexius Perera Gooneratne, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To re-elect Mr. Aruna Gahanath Pandithage, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
6.	To elect Mr. Jayantha Michael De Silva, Director, who retires in terms of Article 71 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
7.	To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.7 (the Act)	<input type="checkbox"/>	<input type="checkbox"/>
8.	To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).	<input type="checkbox"/>	<input type="checkbox"/>
9.	To re-appoint as a Director Mr. Abeykumar Mohan Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).	<input type="checkbox"/>	<input type="checkbox"/>
10.	To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
11.	To authorise the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this ..... day of ..... Two Thousand and Twenty.

.....  
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

Shareholders who are unable to participate at the meeting are encouraged to duly complete the form of proxy clearly setting out their preference of vote under each matter set out therein and to appoint a director of the Company to act on their behalf.

As mentioned in the Circular to the shareholders dated 28th May 2021, the 76th AGM will be held as a virtual meeting. Instructions given in the Circular to Shareholder must be followed to join the meeting virtually.

Instructions as to completion appear below.

**Instruction as to completion**

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No.65, Jethawana Road, Colombo 14 or forwarded by email to [agm@dimolanka.com](mailto:agm@dimolanka.com) not less than seventy two (72) hours prior to the time appointed for the holding the AGM, together with the dully filled "Shareholder/Proxy holder virtual AGM Registration Form"
2. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.
3. If you wish to appoint a person other than the Chairman or a Director as your Proxy, please insert the relevant details overleaf and initial against this entry.
4. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
5. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it had not being already registered with the Company.

Designed & produced by

emagewise

**Diesel & Motor Engineering PLC**

P.O. Box 339, No. 65, Jethawana Road, Colombo 14, Sri Lanka.

Telephone: +94-11-2449797, +94-11-2338883

E-mail: [dimo@dimolanka.com](mailto:dimo@dimolanka.com)

Facsimile: +94-11-2449080

[www.dimolanka.com](http://www.dimolanka.com)

[www.facebook.com/dimosrilanka](https://www.facebook.com/dimosrilanka)