“To us, Sri Lanka is full of opportunity...”

A.R. Pandithage
Chairman/Managing Director

DIMO
THE PERFECT PARTNER

Diesel & Motor Engineering PLC
Annual Report 2021/22

“To us, Sri Lanka is full of opportunity...”

We see our island nation as one teeming with opportunity. Even now, as we continue to battle our way forward through the many pressures and challenges, we continue to maintain our faith in the shining potential of our nation, which is known for its hardiness, resourcefulness, and resilience.

As a diversified conglomerate, we are proud to see how DIMO has entered every spectrum of Sri Lankan life from agriculture, engineering solutions, infrastructure engineering, building services, power and energy, fluid and water projects, healthcare, chemical solutions, tools and equipment, lifestyle products, education, information technology to mobility solutions and more.

Our carefully crafted portfolio of businesses are designed to penetrate the country’s most significant business sectors. We are constantly expanding our reach to bring state-of-the-art solutions and world-class best engineered brands to the doorstep of every Sri Lankan across the island.

We owe our continued success to our most treasured asset– our people; the 'DIMO Tribe'. Comprising of thousands of tenacious men and women, whose unrelenting spirit has delivered the excellent results that we share here today. It is because of them that we remain confident as we go into the year ahead. We believe that, amidst the unpredictability, we have the capacity to grow bigger, better, and stronger, as we continue crafting sustainable solutions for future generations through the diverse businesses that we are present in.

The year ahead will see us create more avenues for value creation, as we continuously explore the countless opportunities we see within Sri Lanka and beyond our shores. We are a land full of dreams and aspirations.

HARNESSING OPPORTUNITIES

Recognising the infinite opportunities arising from our nation and its resources, DIMO has continued to actively monitor and manage Sri Lanka's core strengths; aiming to enhance and maximise their value in the long-term. The pages that follow outline our efforts in this regard.

Inspiring Growth

Strength: A self-sufficient, thriving agricultural economy in ancient times, due to the abundance of resources we possess.

DIMO's Objective: To inspire & enrich the lives of those who produce and consume food both locally and globally via next generation agriculture solutions.

No. 2 supplier
of local seed paddy in Sri Lanka

Over Rs. 9,804 million
worth agri inputs and machinery sold during the year

03 organic fertiliser production sites in Kalawewa, Hungama and Sapugaskanda with annual capacity of over
6,000 tonnes

No. 1 supplier
of melon seeds with 80% market share in Sri Lanka

03
Agri techno parks with state-of-the-art facilities that conduct research and development, seed production, and farmer education.

Launch of Sri Lanka's first DMT20 mini transplanter with the recommended row width for Sri Lanka.

Channelling Life

Strength: A land enriched with natural water sources, that replenish and revitalise its surroundings, and support life.

DIMO's Objective: To play a vital role in supplying safe and clean drinking water to Sri Lanka.

Over **50,000**

households were given access to safe drinking water through water projects completed during the financial year.

Played our part in Ambathale Water Conservation Project which facilitated

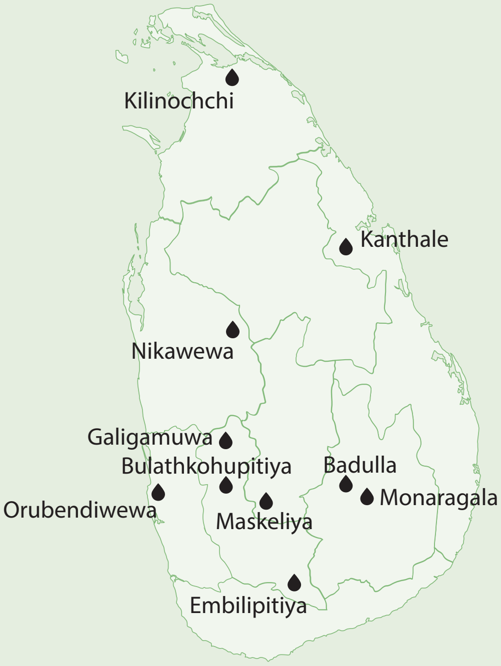
16%

reduction in energy cost

Awarded **C1 grade**

accreditation by Construction Industry Development Authority (CIDA) for the execution of water supply and Sewerage Projects.

Involvement in the execution of many rural water supply schemes:



HARNESSING OPPORTUNITIES

Restoring Energy

Strength: Natural sunlight and wind enable the nation to capture and utilise renewable energy.

DIMO's Objective: To contribute towards climate action and sustainability, while powering the nation with renewable energy.

2,620 kW

installed capacity in our own solar power generation plants.

Successful completion of the nation's first comprehensive grid tied renewable energy microgrid project at the University of Moratuwa.

Installation of solar street lamps along the Marine Drive Colombo.

Introduced DI-Solar, Sri Lanka's first and only cutting-edge solution that allows industries to utilise solar power without battery storage during power outage and thereby vastly reducing the fuel consumption of generators.

Partnering to install Sri Lanka's first ever government owned wind power park in Mannar.

100 MW

semi-dispatchable plant

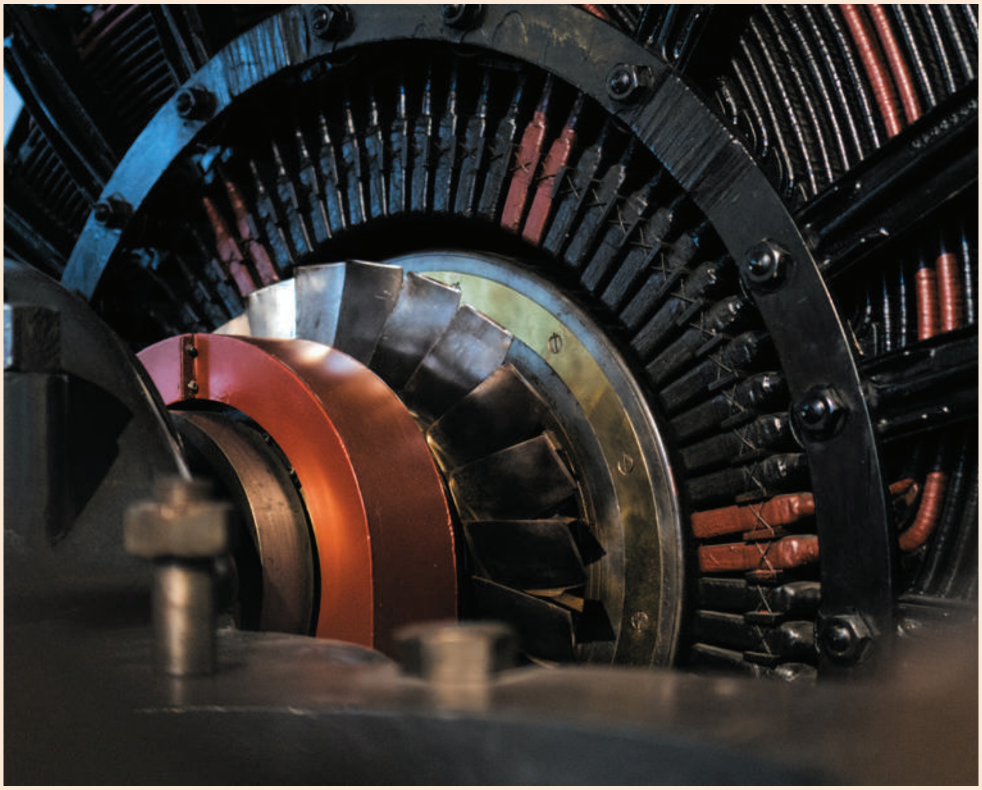
380 million

units of electricity to be supplied to the national grid

Facilitating Solutions

Strength: A strategic location at the centre of maritime trade routes, enabling connections across the known world.

DIMO's Objective: To facilitate infrastructural and logistical solutions both here and across the globe, and contribute towards national progress.



Sea

Our Total Marine Engineering Solutions (TMS) encompasses the entire spectrum of solutions within the marine industry, offering capabilities to perform ship building, repairs and other engineering work in both Sri Lanka and Maldives.

A leading supplier of port equipment.

Air

Supplying state- of – the -art TKE mobility solutions for the 'Emigration Hall' of the departure terminal of Bandaranaike International Airport (BIA).

Near completion of Aeronautical ground lighting system on taxiways Large-scale lighting at the BIA.

Land

A state-of-the art vehicle repair centers for vehicles used in logistics as well as for other commercial purposes

500
authorised aftercare dealers

24/7
roadside assistance

DIMO Pick My Load (PML) is a digitally managed logistics business offering convenience to customers.

HARNESSING OPPORTUNITIES

Empowering Efficiency

Strength: Ours is a progressive society that continues to embrace new technology and seek efficiency in every activity.

DIMO's Objective: To build efficient ecosystems that uplift and enhance quality of life while minimising resource consumption.

Building Solutions

The leading source of lighting solutions in the country

Fire protection systems and inert gas fire suppression systems at the Defence Headquarters complex in Sri Jayawardenapura Kotte.

Bespoke storage solution for Logipark – the largest and most cutting-edge supermarket chain distribution centre.

Multi-tier Mezzanine Shelving System for Document Archiving by Transnational Lanka Records Management.

Car Parking Solutions

300+

car parking stackers to be installed in one of leading real estate Group in Sri Lanka.

Automated car parking solution for the new head office building of one of large financial institute in Sri Lanka.

Tandem parking for

66

vehicles

Tack parking for

12

vehicles

Healthcare Solutions

1st to introduce to Sri Lanka:

PET Scanners with premium LSO based detector technology.

Wide Angle Fundus Phototherapy from Carl Zeiss that provides greater coverage of the retina without dilation.

Market leader in the ophthalmic and non-ophthalmic spheres, representing Carl Zeiss and Meditech AG.

41%

of market share in the MRI scanner market across public and private sectors

Developing Talent

Strength: A pool of unmatched talent and expertise that positions us to overcome challenges and take on a future of change.

DIMO's Objective: To further enhance our talent base through collaboration and an equitable distribution of knowledge and skills development.

Recognised as a Great Place to Work for the

10th

consecutive year

582

students faced apprenticeships and internships at DIMO during the year.

Our agri techno parks in Lindula, Dambulla and Nikaweratiya are used to deliver latest methods of cultivation to farmers.

550

graduates trained on world-class automobile engineering and plant engineering at the DIMO Academy for Technical Skills (DATS) to date.

Invested in our own outbound training centre in Suriyawewa, named 'Touchstone', which provides a customised experience to our employees by meeting their learning and development needs.

We conduct one-on-one training to many individuals in highly technical vocations to use high tech tools and equipment to improve their efficiencies.

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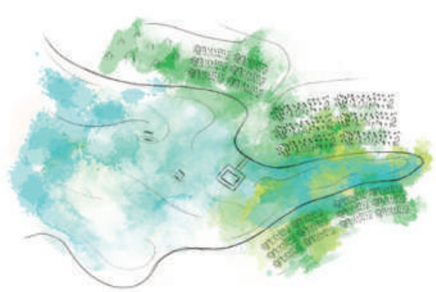

DIMO at a Glance

We begin with a detailed description of the Company, our history, the Board of Directors, the senior management team, and an overview of our organisational structure.

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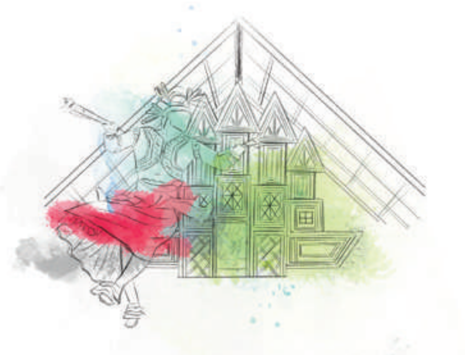
2. The Capacity of Collaboration



Management Commentary

This key section of the report presents DIMO's corporate strategy, value creation model, and the performance and prospects of our capitals, business segments, and sustainability agenda; outlining a detailed account of DIMO's value creation story.

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3. The Faith in our Future

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The commitment of the Governance Body to drive performance and our approach to responsible and transparent governance are reflected in the enterprise governance report, which is followed by our stakeholder engagement and risk management reports.

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4. The Reassurance of Renewal

Statement of ESG Performance

For the first time in Sri Lanka, we present an independently assured Statement of ESG Performance to our readers. The statement enables a comprehensive understanding of our ESG performance and its basis of measurement.

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5. The Ability to Advance

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Actions generate outputs and results. The DIMO Financial Statements are presented here, together with the details of the Group's financial position and performance and other supplementary information.

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INTEGRATED ANNUAL REPORT OF BOARD OF DIRECTORS

The Board of Directors of Diesel & Motor Engineering PLC, hereby present DIMO's 12th Integrated Annual Report to its Financial Capital Providers and other stakeholders.

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

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

Signed by the Board on 31st May 2022

Ranjith Pandithage
Chairman/ Managing Director

Wijith Pushpawela
Executive Director

Gahanath Pandithage
Director/ Group Chief Executive Officer

Mohan Pandithage
Non-Executive Director

Sarath Algama
Executive Director

Rajeev Pandithage
Executive Director

Vijitha Bandara
Executive Director

Chaminda Ranawana
Executive Director

Dr. Harsha Cabral
Independent Non-Executive Director

Jayantha De Silva
Independent Non-Executive Director

Suresh Gooneratne
Director/Chief Financial Officer

Asite Talwatte
Independent Non-Executive Director

Dilrukshi Kurukulasuriya
Executive Director

WELCOME TO DIMO'S 12TH INTEGRATED ANNUAL REPORT

This report is one of primary communications with our stakeholders. It has been prepared with the aim of providing a balanced, transparent and integrated review of DIMO's performance during the 12-month period ending 31st March 2022 and DIMO's ability to create value in future. Information presented on DIMO's corporate website also form part of this report.

Value Creation

DIMO's success depends on our ability to create value and thereby fuel the dreams and aspirations of our stakeholders. The value created is reflected in the increase of the availability, affordability, and quality of capital required for future value creation. Value eroded is reflected vice versa. This concept is further elaborated in our value creation model presented on pages 42 to 44, the strategy section presented on pages 34 to 39, and the capital performance report presented from pages 46 to 63.

Materiality

The materiality test embedded in our processes ensures we report on all material aspects that affect our ability to create value. Stakeholder material issues identified through stakeholder engagement (pages 100 – 103), important topics raised at Board and Group Management Committee (GMC) discussions, and results of the Group's risk management process (page 104 – 108) provide the basis for the materiality analysis and thereby for determining the reporting content.

Reporting Boundary

INTEGRATED ANNUAL REPORT - REPORTING BOUNDARY

Financial Reporting Boundary	Integrated Reporting Boundary
Aligns with our financial statements reporting boundary and includes:	**Includes material risks, opportunities and outcomes attributable to or associated with;**
DIMO (Parent)	Operating Context (page 32 to 33)
Subsidiaries	Value Creation Model and Capitals (page 40 to 42)
Joint ventures	Key Stakeholders (page 100 to 103)
	Strategy (page 34 to 39)

What is new;

In line with growing attention to ESG concepts under sustainability, DIMO publishes Sri Lanka's first ever "Statement of ESG Performance" with independent assurance. The report can be viewed from page 121-122.

Web Disclosures

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

Information Supplementary to the Annual Report – Corporate Governance https://www.dimolanka.com/content/SustainabilityPerformance.pdf

Laws, Regulatory Frameworks, Standards, Guidelines and Protocols

- 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 133 to 135)
- Assurance from the Independent Auditors on the Statement of ESG Performance (pages 121 to 122)
- Assurance from the Independent Auditors on the Integrated Report

Assurance from the Independent Auditors on the Integrated Report available on https://www.dimolanka.com/content/SustainabilityPerformance.pdf

ESG HIGHLIGHTS

ENVIRONMENT

Carbon emission to generate one million turnover

0.14 tco_2e

2020/21 – 0.16 tco_2e

Water consumption to generate one million turnover

2.62 m^3

2020/21 – 3.13 m^3

Energy consumption to generate one million turnover

1.52 GJ

2020/21 - 1.47 GJ

Celebrated the 10-year anniversary of Group's Turtle conservation project which has released over 150,000 hatchlings.

SOCIAL

DIMO was recognised as a Great Place to Work by the Great Place to Work Institute for the 10th consecutive year.

DIMO Academy for Technical Skills (DATS) was able to produce 46 graduates during the convocation held in May 2022.

Voluntary investments in social progress

Rs. 24 million

2020/21 – Rs. 22 million

Employee benefits distributed

Rs. 4,089 million

2020/21 – Rs. 3,381 million

GOVERNANCE

Health and Safety Management System of the Group was certified by

ISO 45001:2018

Payment of taxes and other tariffs

Rs. 4,427 million

2021/22 – Rs. 2,250 million

No major non compliances in Environmental and Quality Management Systems.

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

Group Revenue

Rs. **37,507** million

2020/21 – Rs. 30,819 million

Net Asset Per Share

Rs. **1,696.73**

2020/21 – Rs. 1638.27

Group Profit After Tax

Rs. **854** million

2020/21 – Rs. 536 million

Employee Engagement Score

4.20

2020/21 – 4.06

Group EPS

Rs. **76.06**

2020/21 – Rs. 52.72

Customer Satisfaction Index

92%

2020/21 – 89%

The enormous negative impacts experienced during the year were managed. It did not stop the company from recording a 59% increase in profit after tax. The contribution made by the Agriculture segment is noteworthy. Particular mention is worthy of the performance by its subsidiaries.

Ranjith Pandithage
Chairman/Managing Director

Page 14 to 16

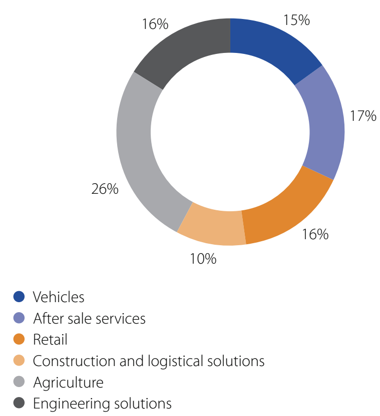
Diversifying into businesses that generate revenue beyond Sri Lanka, businesses that have higher local value addition, and businesses that provide solutions to broader sustainability issues are important aspects that will reduce DIMO's dependence on imports and improve its resilience to economic challenges.

Gahanath Pandithage
Director/Group Chief Executive Officer

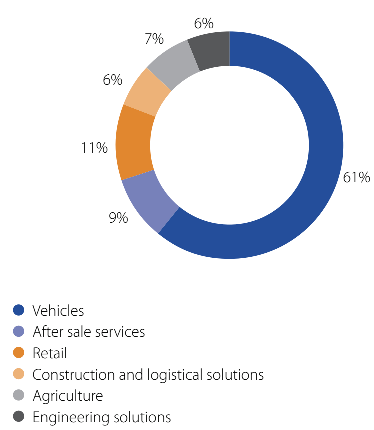
Page 17 to 18

Our product portfolio is well-diversified and without a dominant segment. The graph below shows the improvement in diversity from five years back to today

Graph 01:
Revenue Composition 2021/22



Graph 02:
Revenue Composition Five Years Back



CHAIRMAN'S MESSAGE

I have always held the view that Sri Lanka has great potential to create value. The country's natural resources, collective intellect, and appetite for education are excellent indicators of the potential it holds. The rest of the capital can be acquired, locally or externally, depending on the business.

Extraordinary Times

Extra-ordinary times require extra-ordinary people to navigate through what unveils in front of them; See the opportunities that come behind the face of threats. This is the mind-set with which the last financial year dawned to the DIMO tribe having sailed through the COVID 19 storm for one full year. If it was thought that COVID 19 was a challenge as well as an opportunity, what unfolded during the ensuing year was many times of it. Domestically, a fragile and galloping exchange rate, lack of foreign currency to effect imports and high inflation has brought unpredictability and a sense of curtailment, both detrimental to growth. Externally too, support was not forthcoming with the cost of freight sky rocketing, supply shortages and high fuel prices, adding to the list.

Adversity is also an opportunity. It opens up avenues and provides a window for re- thinking. As an organisation, this is where our attention was, whilst at the same time strongly focusing on mitigating the harm that adversity of such magnitude can bring about.

A better Financial Performance

The enormous negative impacts experienced during the year were managed. It did not stop the company from recording a 59% (2020/21 - 167%) increase in profit after tax. The contribution made by the Agriculture segment is noteworthy. Particular mention is worthy of the performance of the subsidiaries engaged in agriculture.

Changing Course

Mobility is an inseparable part of DIMO brand equity. In fact, 31% (2020/21 - 37%) of the revenue contribution for the financial year came from the mobility sales and after sales business. The fortunes of this business have been heavily reliant on the government's policies which regrettably has not been consistent over the years. In order to mitigate the risks encountered by this portfolio, a journey of diversification was commenced a few years ago. During the year, DIMO acquired the manufacturing operations of construction chemicals of BASF in Sri Lanka. We entered into an agreement with Master Builders Solutions to represent them and thereby enter into Chemicals Business in Sri Lanka. We also secured representation rights of BASF, in Sri Lanka for the Industrial and Nutrition Chemicals segments. The latest investment is the acquisition of a company engaged in the export of cut- fruits, and vegetables in Sri Lanka which should augment well with our journey in the Agriculture Segment. In addition, DIMO increased its stake in PlantChem (Private) Limited and Plant Seed (Private) Limited from 51% to 70% during the year, further strengthening our footprint in agriculture. More investment plans are afoot to bolster our non- mobility segments. The only key investment in the mobility sector was the assembly operation for "DIMO Batta", which commenced production during the year.

COVID Imperatives

Having got accustomed to new procedures amidst the COVID dilemma, DIMO explored revenue streams on many fronts. The way we work, communicate, interact and add value came under scrutiny. Consequently some changes resulted that will make its way to the bottom line. From a business perspective, resources were repriortised for different segments. Better contributions are expected from these two segments in the future.

Sri Lanka is Full of Opportunities

I have always held the view that Sri Lanka has great potential to create value. The country's natural resources, collective intellect, and appetite for education are excellent indicators of the potential it holds. The rest of the capital can be acquired, locally or externally, depending on the business. This presents us with many options to make them business opportunities. The question is whether that is all that you need to succeed. I believe not. We need a business environment that is organised, fair and equitable, unrestricted, accessible, and consistent in behaviour.

Technological Interventions

Over the recent years DIMO has introduced many revenue streams to its portfolio. Such variety could affect customer experience and lead to an increase in the cost- base unless we seek standardisation and technological interventions. With this in mind, the company prepared a blueprint to improve these two elements across the organisation by rolling out a new integrated ERP. Its implementation is in progress and every effort is taken to complete the exercise within the minimum possible time.

Customer Experience

DIMO has given pride-of-place to customer experience, not solely by commercial considerations but by its own traditional practises. In our view it gives us an advantage over our competitors. Our employees are geared to perform and delight our customers through their knowledge & training gathered at business level.

In order to drive this initiative, we will be entrusting a team to design processes of the organisation to deliver better customer experience. Technology too will play its part towards achieving this.

Environmental, Social, and Governance (ESG) Factors

We are aware that corporate social responsibility is very important. We have prioratised sustainable practises whilst upholding principles of good corporate governance through stewardship, accountability, transparency, and integrity. This is amply reflected in the DIMO Boardroom. Our strategies are also directed towards embedding principles of ESG in our offering to the customers.

Foreign Operations

DIMO formed a fully owned subsidiary to pursue our interests in Bangladesh in the sales and aftercare of construction machinery in the month of May 2022. Plans are afoot to expand the operations into other areas of business. In the backdrop of political instability in Myanmar, operations of our subsidiary in the vehicle sales and service suffered a major set- back. Currently, we are evaluating our options for the future of our investment in Myanmar.

Cost Escalations

Cost of goods sold, and overheads have seen a sharp increase in the recent past. Adjustments to selling prices to cover up the cost escalations would not yield desired results as there is no compensatory adjustments to disposable income of our customers. This has led to a slower movement of inventory held. An equally significant problem is the loss of real income of our own tribe members due to the price escalations. Notwithstanding the current impediments, DIMO is trying its best to reduce the impact to the tribe members.

The focus will be on businesses with a high local value addition content, businesses associated with direct and indirect exports and priority areas such as healthcare and agriculture. In the meantime, our efforts are in re-imagining our business model to adapt to any new circumstances on the lines mentioned above.

Shareholder Primacy

Creating value for shareholders is our ultimate priority. However difficult the circumstances are, delivering a return on investment, is not compromised. Despite the need to retain funds to execute future growth plans and to face future challenges, the Board decided to pay a first and final dividend of Rs.12/50 per share for the financial year 2021/22 (Rs.12/50 for 2020/21).

Integrated Reporting

Our pioneering efforts in integrated reporting over a decade ago has taken us a long way and this is our twelfth integrated report. This has also given us an opportunity to go beyond monetised value creation to look at the organisation more holistically, particularly at the aspects of non-monetised value. This harmonises well with our stakeholder centred business philosophy, where non- monetised value is given due importance. This pursuit also will help us to institutionalise integrated thinking to facilitate decision making.

Meeting the Challenges

The challenge ahead is enormous. Curtailments in imports is the biggest. Until there is an improvement, we need to utilise and preserve

CHAIRMAN'S MESSAGE

our resources with care. The focus will be on businesses with a high local value addition content, businesses associated with direct and indirect exports and priority areas such as healthcare and agriculture. In the meantime, our efforts are in re-imagining our business model to adapt to any new circumstances on the lines mentioned above. Externally, it is imperative that the country reaches a state of political stability and bring financial obligations to a sustainable level. Also, one can reasonably expect that this will be also an opportunity for the entrepreneurs to take a critical look at the underutilised potential of Sri Lanka.

The Year Ahead

The year ahead is destined to be one of the most challenging years in the recent history. However, a sound approach to manage the current economic turmoil can largely reduce the pain which otherwise may have to be endured. I am hopeful that this will be the case. Therefore, we have made short term plans to navigate the year ahead whilst keeping our sights on near medium-, medium- and long-term growth. I am confident that my tribe members will rise to the challenge.

A Welcome Note

Ms. Dilrukshi Kurukulasuriya and Mr. Rajeev Pandithage were invited to join the Board w.e.f. 30th May 2022. Both of whom have been with DIMO for a considerable period of time and have made remarkable contributions to DIMO. I wish them success in their new roles as Directors of the Company.

Acknowledgements

It was not by any means an easy year to navigate through, given the external unforeseen conditions. The leadership team of DIMO together with my tribe members did an outstanding job to deliver an improved result under difficult circumstances. The manner in which they stood up to the challenge makes me feel humbly proud as their leader. For the 10th successive year DIMO has been adjudged as one of THE GREAT PLACES to work in Sri Lanka. I have always believed that they are the driving force behind DIMO's achievements. The continued support of our foreign principals and their understanding of the difficult times in the country is very much appreciated. We are indeed honoured to represent our internationally renowned best in class principals in Sri Lanka. Finally, I thank my colleagues on the Board for their exceptional contribution towards guiding the company towards success.

Ranjith Pandithage
Chairman/Managing Director

31st May 2022
Colombo

GROUP CEO'S STATEMENT

We create value in pursuance of our corporate purpose 'Fuelling Dreams and Aspirations'. This purpose entails creating value for stakeholders including our employees, customers, and business partners while creating value for DIMO.

Dear Stakeholders,

Thank you for your continued support and for believing in DIMO through an extraordinary 12 months. We have a resilient portfolio, great people, and strong relationships. These contributed to a strong set of results, safely achieved in the face of significant challenges in our markets and in the economy.

Creating Value in Extraordinary Times

We create value in pursuance of our corporate purpose 'Fuelling Dreams and Aspirations'. This purpose entails creating value for stakeholders including our employees, customers, and business partners while creating value for DIMO.

During the year under review, we were able to further strengthen the product portfolio with the launch of "DIMO Initium", the new business venture that provides solutions to markets under the industrial, nutrition, and construction chemical segments. We also commenced our commercial vehicle assembly operations with a capacity to assemble 900 DIMO Batta vehicles a year. In addition, further investments were made in Agribusinesses targeting businesses beyond Sri Lanka. A diversified and balanced portfolio with income generated outside Sri Lanka and with a higher portion of local value addition is expected to increase the Group's resilience against the turbulence in the economy.

Group's revenue grew by 22% to end at Rs. 37,507 million from Rs. 30,819 million last year. The main contributors to this performance were a 30% increase in turnover in the Agriculture segment, a 27% increase in revenue in the After Sale Services segment, and a 33% increase in Retail operations. Though the Agriculture industry was curtailed by government restrictions on the import of chemical fertiliser and pesticides, the DIMO Agri team was able to successfully navigate through the challenge and produce successful results. Increased performance in After Sales Services and Retail operations reflect the success of the measures taken in response to the COVID pandemic.

GROUP CEO'S STATEMENT

The construction and Logistical Solutions segment reported a notable improvement with a 104% increase (2020/21 - 21% increase) in segment results owing to improved sales from the construction machinery operation. Though the vehicle sales segment reported a 45% (2020/21 - 48% reduction) reduction in segment results, the performance of a diverse portfolio enabled the Group to achieve a 62% (2020/21 - 158%) increase in its Profit Before Tax to end at Rs. 1,165 million by the year-end from Rs. 720 million reported last year. However, a notable and unexpected foreign currency exchange loss of Rs. 1,470 million (2020/21 - Rs. 62 million gain) had a significant impact on the otherwise outstanding results for the financial year.

Navigating the Uncertainty

The country is experiencing its worst economic crisis since independence and the path ahead is challenging. With the prevailing foreign currency shortages and curtailed imports, DIMO is at the forefront of those affected. In response to the externalities, we thus reimagined our strategy with three key focus areas: strengthening our product portfolio, facilitating continuous organic growth, and becoming the partner of choice. Diversifying into businesses that generate revenue beyond Sri Lanka, businesses that have higher local value addition, and businesses that provide solutions to broader sustainability issues are important aspects that will reduce DIMO's dependence on imports and improve its resilience to economic challenges. Investments of Rs. 450 million in value-added Agribusinesses are examples of progress made under this strategy. More details about this strategy are provided on page 35 of the strategy section.

Continuous organic growth is important to ensure that we thrive in the markets we already serve and secure the market positions we have already gained. Focusing on key differentiation aspects of those markets while adopting short-term strategies to ensure products remain attractive to customers despite high inflation will be the focus of this aspiration. Please refer to page 37 of the strategy section for more details about this strategy.

Living up to our brand promise, a complete digital transformation is being undertaken to re-engineer our business processes and become the partner of choice in the digital era. The strategy involves a transformation of the organisational structure with a focus on a centralised supply chain, a redefined customer experience process, and improved data visibility and analytics. This transformation will streamline processes and improve our offerings to customers. Please refer to page 38 of the strategy section for more information about this strategy.

The strategy will ensure that DIMO successfully navigates the ongoing crisis and recovers stronger in the medium term. Our talented and passionate tribe members, strong relationships with customers and business partners, and the financial facilities at our disposal with financial institutions, combined with stringent cost optimisation and aggressive focus on cash flows will help DIMO steer the crisis in the short term until the results of the strategy reimagination materialise in the medium term.

Being Responsible and Being Sustainable

The world only has eight years to meet the United Nations' Sustainable Development Goals (SDGs). As a responsible corporate, contributing to these goals is important. Our businesses in Agriculture, Medical Engineering, Power, Water, and Education directly contribute to the agenda including targets under Zero Hunger, Clean and Affordable Energy, Clean Water and Sanitisation, Good Health and Well-being, and Quality Education. While it is critical to ensure that our operations are ethical and have the least possible impact, integrating sustainability into the strategy and offering solutions to border sustainability issues is the only viable way for us to meet these targets. In line with this philosophy, DIMO launched its Sustainability Agenda 2030, while also incorporating sustainability into its corporate strategy under the "strengthening the product portfolio" pillar. Currently, these sustainable business models contribute 27% of the Group's total revenue. Please refer to page 76 of the section on DIMO Sustainability Agenda 2030 for more information about DIMO's sustainability agenda.

Building a Leadership Pipeline

Building a leadership pipeline for future resilience is one of the key focus areas on my agenda. We adopt world-class HR practices with focused programs to filter high-performing employees and train them to take up leadership positions. This mandate is explained in greater detail on page 52 of the Human Capital section. DIMO has consistently been recognised as a Great Place to Work for the last decade, proof that we are indeed on the right track to attracting and retaining talent and leaders.

Word of Thanks to my Tribe

The year gone by was a challenge and the year ahead will no doubt be challenging. But I believe in the capabilities of my tribe which has delivered extraordinary results in difficult times. I thank them for their dedication, passion, and willingness to go the extra mile to steer DIMO to the next level.

Concluding Remarks to our Stakeholders

Your company has thrived in business for over 80 years and has faced many ups and downs. Our performance over the last eight decades shows resilience, and our strategy shows potential to continue our journey of growth and deliver better returns for shareholders and society. To all our stakeholders, thank you for your ongoing commitment and support!

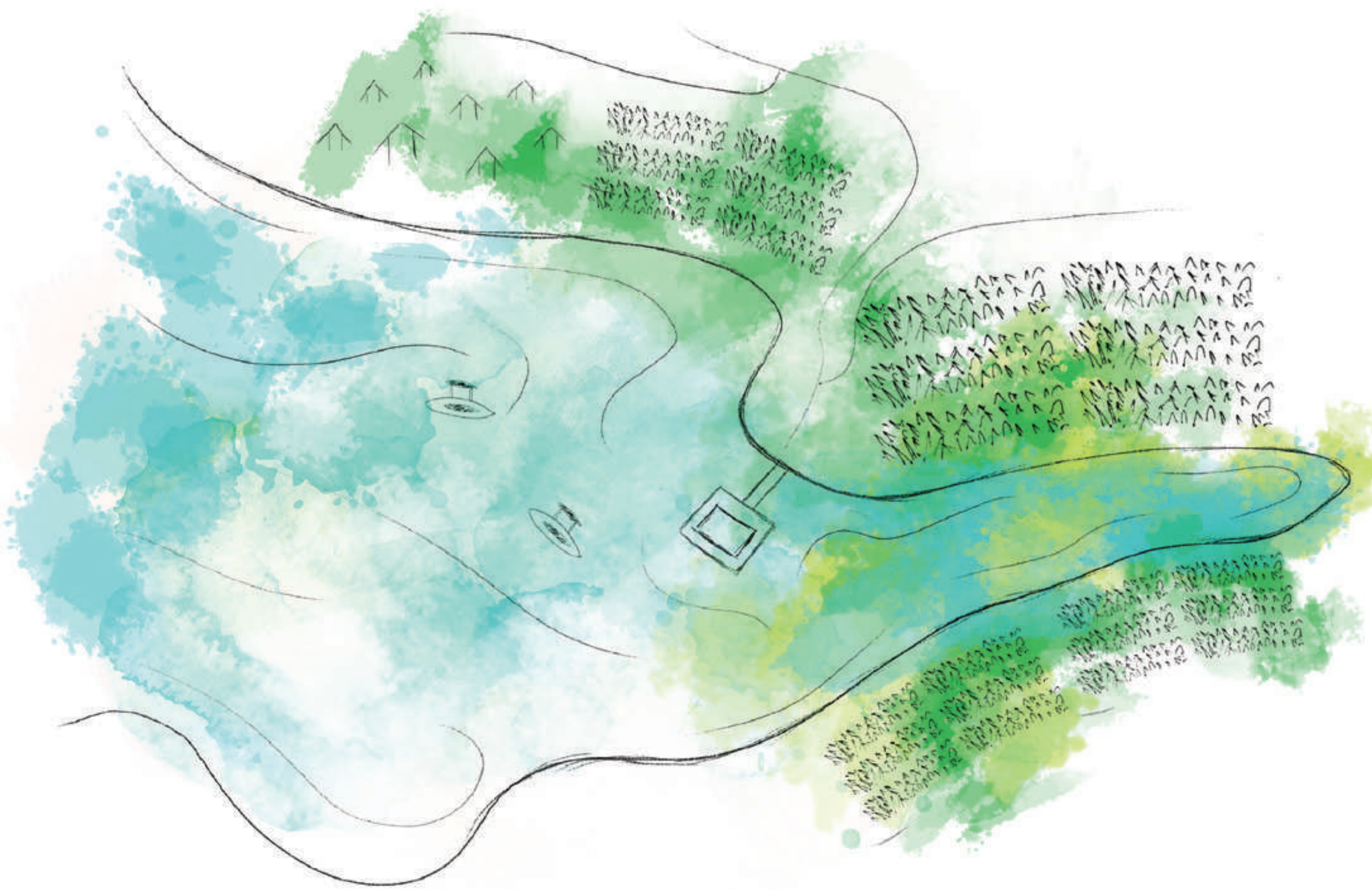
Gahanath Pandithage
Director/Group Chief Executive Officer

31st May 2022
Colombo

The promise of provision

At DIMO, we believe in utilising our wealth and resources to cultivate growth and uplift every stakeholder - pledging to deliver vast stores of value well into the years ahead.

Since time immemorial, the reservoirs of Sri Lanka have served as a source of life and strength, vital for economic development and prosperity. While its widespread impact serves to build and support diverse communities even today, it represents a far greater promise - a continuous outpouring of unending wealth and untold growth.



DIMO AT A GLANCE

DIMO at a Glance **20** | DIMO Legacy **22** | The Management Team **24** | Group Structure **30**

DIMO AT A GLANCE

DIMO
THE PERFECT PARTNER

WHO WE ARE?

During its eight decades of business excellence DIMO has emerged as one of Sri Lanka's most respected and admired companies. Today we are a diversified conglomerate that has its footprint not just in Sri Lanka but in the world, and is focused on building and sustaining relationships with world-class principals and stakeholders as a truly Perfect Partner.

Our purpose is to 'Fuel Dreams and Aspirations' of all the communities we serve. We achieve this by creating value responsibly and building partnerships that last generations.

Our Purpose

Fuelling Dreams & Aspirations

Our Brand Promise

The Perfect Partner

Our Values

Integrity	People Centric	Excellence	Customer Delight	Accountability

We are a progressive organisation focusing on building a workplace around a common purpose and values - giving employees the energy, passion and motivation to be responsible individuals, who will take bold decisions and be accountable. The seven Progressive Bars indicate our areas of focus, to become a formidable progressive organisation, that is pertinent when facing future challenges.

WHAT BUSINESSES ARE WE IN?

We are a diversified company, where we provide end-to-end solutions to customers from sourcing to after-services. Currently our business interests are in six different segments as depicted below:

- Vehicle Sales
- After Sale Services
- Retail
- Agriculture
- Construction and logistical solutions
- Engineering Solutions

Please refer page 65 to 75 of the Business Report for more information about what businesses we are in.

Please refer page 30 Group Structure to get more information of Group companies.

Business - The world is changing, Sri Lanka is changing and our business model also must evolve and adapt to survive the future challenges.

Technology - Technology plays a crucial role in improving business efficiencies, ensuring computational accuracy at work, and increasing competitiveness in the industries we are operating in.

Growth - With the changing business landscape, growth through continuous diversification is imperative for our existence, reducing the dependency on auto businesses.

Innovation - Creating a culture of innovation and making a way for creative thinking will define how we face the challenges of the future.

Aspiration - Our purpose is to "Fuel Dreams and Aspirations" of the communities we serve. DIMO continues to be driven by aspirations that energises and motivate the tribe from top to bottom.

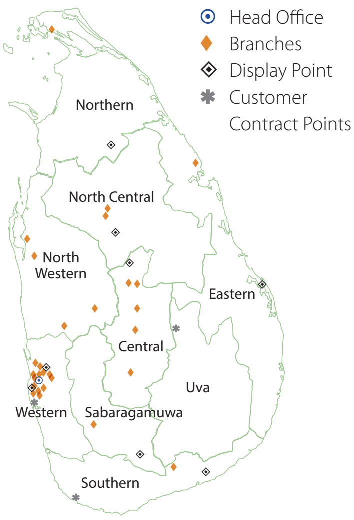
World-Class Services - The quality of our services and after-care differentiates DIMO from all other competitors. The capabilities of our foreign trained staff and their caring approach ensures our unparalleled customer service.

Globalisation - We are keen to exploit the opportunities beyond Sri Lanka, by taking our expertise and capabilities to foreign shores – expanding our footprint across the globe.

DIMO AT A GLANCE

BLAZING TRAILS ACROSS SRI LANKA, AND THE WORLD

Ability to reach every corner in Sri Lanka through our customer contact points across the country and our dealer network.



Relationships with internationally renowned principals makes our access to the world easier, faster and allows us to bring the world's best technology to our customers.

Belgium

China

Finland

France

Germany

India

Ireland

Israel

Italy

Japan

South Korea

Malaysia

Singapore

Spain

Sri Lanka

Sweden

Switzerland

Thailand

UAE

UK

USA

Vietnam

Being Sustainable

DIMO's water, power, agriculture, medical and education businesses directly contribute to below SDGs. Revenue from these businesses is over 25% of Group's revenue.

DIMO LEGACY

Today DIMO is a diversified conglomerate, building sustainable relationships with world-class principals and stakeholders. Our purpose is to `Fuel Dreams and Aspirations' of all the communities we serve. We achieve this by creating value responsibly and building partnerships that last generations.

1939 -1960
How it all Began

It all began in 1939 when Harold Algama, Stephen Peiris, P. D. Alexander and Cyril Algama arrived to work one morning to find that with the advent of World War II the business had been seized by the British Empire. With little money and few prospects, the four unemployed youth decided to start their own business.

DIMO was incorporated as a Private Limited Liability Company in 1945, and in 1949, entered into partnership with Lohmann & Company, Breman, Germany through Mr. Heller, who was then a prominent businessmen in Germany. This partnership inspired a significant expansion of DIMO's business and within three years, a showroom, stores and a workshop were all open for business.

1960-1970
A Powerful Partnership

TATA Motors, India ventured into the international market starting with Sri Lanka by partnering with DIMO in 1961. Thus began one of the most successful business relationships which paved the way for years of mutual trust and success.

DIMO became a Publicly Quoted Company in 1964, by obtaining a listing with the Colombo Brokers' Association.

1970-1990
DIMO Diversifies

In spite of having to work in a planned economy, DIMO endured, due in large part to a focus on after sale services and a reputation for always putting their customer first. DIMO began producing radiators, brake linings, gaskets and kingpins which were very rare, due to the import restrictions in place at the time.

1990-2000

Developing Talent and Skills

DIMO realised that Sri Lanka was experiencing a 'brain drain', and it became vital to develop human resources. The dawn of the '90s witnessed the launch of the DIMO Automobile Training School (DATS) established in collaboration with Daimler AG, Germany, to develop a programme of international standards. The school became the first in the private sector to offer training in automotive technology as a social service.

2000-2008

World-Class Standards

The new millennium saw DIMO reach a pivotal milestone by achieving ISO 9001:2000 for operational practices and ISO 14001: 2004 for environmental management practices, certified by Det Norske Veritas Inc. (DNV).

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

2008-2018

Going Beyond

A new era of business diversification was set in motion after the war ended in Sri Lanka. In 2014 DIMO opened a state-of-the-art Mercedes-Benz Sales & Aftercare Centre designed to showcase the Mercedes Benz experience.

In 2017 DIMO enters Myanmar to establish its first offshore subsidiary by investing in DIMO Lanka Company Limited. In 2018 DIMO expands its footprint in agriculture by acquiring equity interest in PlantChem (Private) Limited and Plant Seed (Private) Limited - the first acquisitions of the Group.

2018 to Present

Transformation and Reimagination

Today DIMO is a global yet local company, one that has always reflected the enduring spirit of Sri Lanka on its over eight decades of journey to success. The company is now focused on transforming its business and processes with digitalisation and is reimagining its product portfolio with a brand-new strategic focus to successfully navigate through future challenges.

BOARD OF DIRECTORS

Left to Right

Rajeev Pandithage
Executive Director

Mohan Pandithage
Non-Executive Director

Asite Talwatte
Independent Non-Executive Director/
Senior Independent Director

Sarath Algama
Executive Director

Jayantha De Silva
Independent Non-Executive Director

Gahanath Pandithage
Director/Group Chief Executive Officer

Left to Right

Ranjith Pandithage
Chairman/Managing Director

Vijitha Bandara
Executive Director

Suresh Gooneratne
Director/Chief Financial Officer/
Company Secretary

Dr. Harsha Cabral
Independent Non-Executive Director

Dilrukshi Kurukulasuriya
Executive Director/Chief Human Resources Officer

Wijith Pushpawela
Executive Director

Chaminda Ranawana
Executive Director

BOARD OF DIRECTORS

Ranjith Pandithage
Chairman/Managing Director

Appointments at DIMO

Joined the Company in June 1973 and appointed to the Board in June 1977. Appointed as Joint Managing Director in November 1984 and as Managing Director in 1986. Appointed as the Managing Director/ Chief Executive Officer in 1994. Appointed as the Chairman/Managing Director and CEO in July 2004 and continues as the Chairman/ Managing Director from April 2012 to date.

Board Committee Memberships

NC

Qualifications and Titles

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

Expertise

Engineering, Leadership

Gahanath Pandithage
Director/Group Chief Executive Officer

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Finance, ICT, Leadership

Sarath 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 (Private) Limited from April 2009.

Qualifications and Titles

Fellow of the Institute of Incorporated Engineers (SL).

Expertise

Engineering

Vijitha Bandara
Executive Director

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Sales and marketing

Dr. Harsha Cabral
Independent Non-Executive Director

Appointments at DIMO

Appointed to the Board in October 2006.

Board Committee Memberships: AC, RC, RPTRC, NC

Qualifications and Titles

President's Counsel in Sri Lanka, Doctorate in Corporate Law from University of Canberra, Australia. Former 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

Suresh Gooneratne
Director/Chief Financial Officer/Company Secretary

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Finance

Dilrukshi Kurukulasuriya
Executive Director

Appointments at DIMO

Joined the Company in October 2008 and appointed to the Board in May 2022.

Qualifications and Titles

Attorney at Law, Diploma in Human Resources Development – Institute of Management Technology – India, Strategic Human Capital Management – NUS, Certified for gender studies by Gender academy ILO international Training Centre in Turin and International Labour Standards by the ILO – ITC, Recipient of the Top 50 business women award for Human Resources in year 2017 by "Women in Management" and one of the 100 top Global HR Minds recognised by World HRD Congress.

Expertise

Law, Human Resource Development

Detailed profiles of the Directors including positions held in other companies & Committees can be viewed at https://www.dimolanka.com/pages/Board-of-Directors.html

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

Wijith Pushpawela
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

Mohan Pandithage
Non-Executive Director

Appointments at DIMO

Appointed to the Board in September 1982.

Board Committee Memberships: AC, RC, RPTRC, NC

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 by Seatrade – Sri Lanka Ports, Trade and Logistics (SLPTL); The first-ever Sri Lanka Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT); Inducted as Legend of Logistics by the Sri Lanka Logistics and Freight Forwarding Association in recognition of services rendered to Sri Lanka's logistics industry.

Expertise

Business Leadership, Logistics and Transport

Rajeev Pandithage
Executive Director

Appointments at DIMO

Joined the Company in January 2011, appointed to the GMC in 2018 and appointed to the Board in May 2022.

Qualifications and Titles

Holder of Bachelor Degree from Monash University, Currently reading for Master of Business Administration degree at RMIT University, Certified Qualified Manager accredited by Mercedes-Benz Global Training Institute.

Was selected by Echelon for the 'New Establishment 100' recognising top 100 leading young businessmen in Sri Lanka.

Expertise

Automotive Management, Business Strategy

Asanga 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, Sales and Marketing

*Retired w.e.f 15th May 2021

Chaminda Ranawana
Executive Director

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Sales and Marketing

Jayantha De Silva
Independent Non-Executive Director

Appointments at DIMO

Appointed to the Board in July 2020

Board Committee Memberships: AC, RC, RPTRC, NC

Qualifications and Titles

A Post Graduate Diploma holder from the International Statistical Programmes 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

Asite Talwatte
Independent Non-Executive Director

Appointments at DIMO

Appointed to the Board in June 2016.

Board Committee Memberships: AC, RC, RPTRC, NC

Qualifications and Titles

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

Expertise

Finance, Assurance

GROUP MANAGEMENT COMMITTEE

Left to Right

Priyanga Dematawa
Chief Operating Officer - Agribusinesses

Vijitha Bandara
Executive Director

Chaminda Ranawana
Executive Director

Suresh Gooneratne
Director/Chief Financial Officer/
Company Secretary

Wijith Pushpawela
Executive Director

Ranjith Pandithage
Chairman/Managing Director

DIMO AT A GLANCE

Left to Right

Gahanath Pandithage
Director/Group Chief Executive Officer

Mangala Wickramasinghe
Chief Information Officer

Sarath Algama
Executive Director

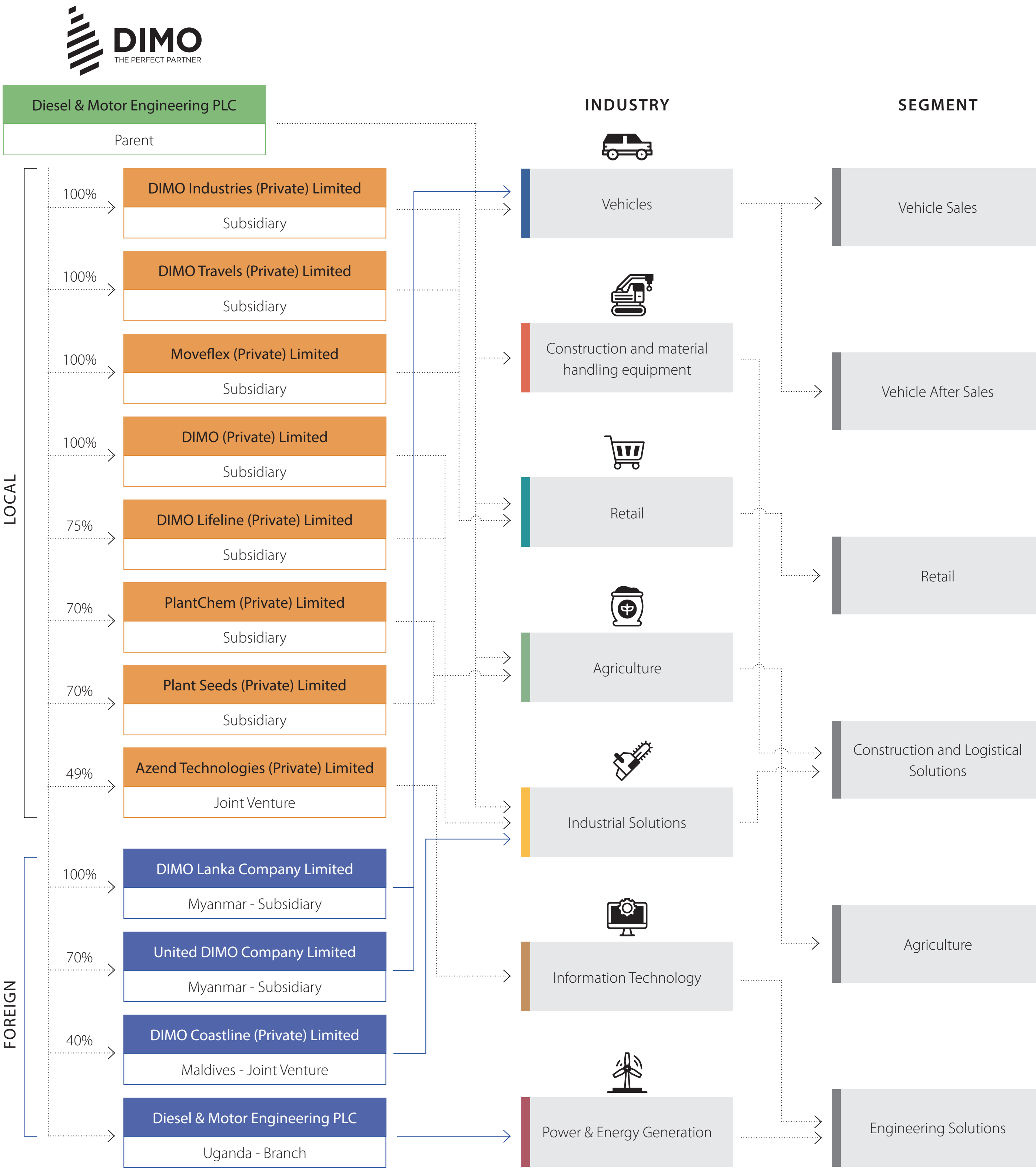
Rajeev Pandithage
Executive Director

Rakhita Gunasekera
Chief Operating Officer

Mahesh Karunaratne
Chief Operating Officer -
After Sales Services

Dilrukshi Kurukulasuriya
Executive Director/Chief
Human Resources Officer

GROUP STRUCTURE

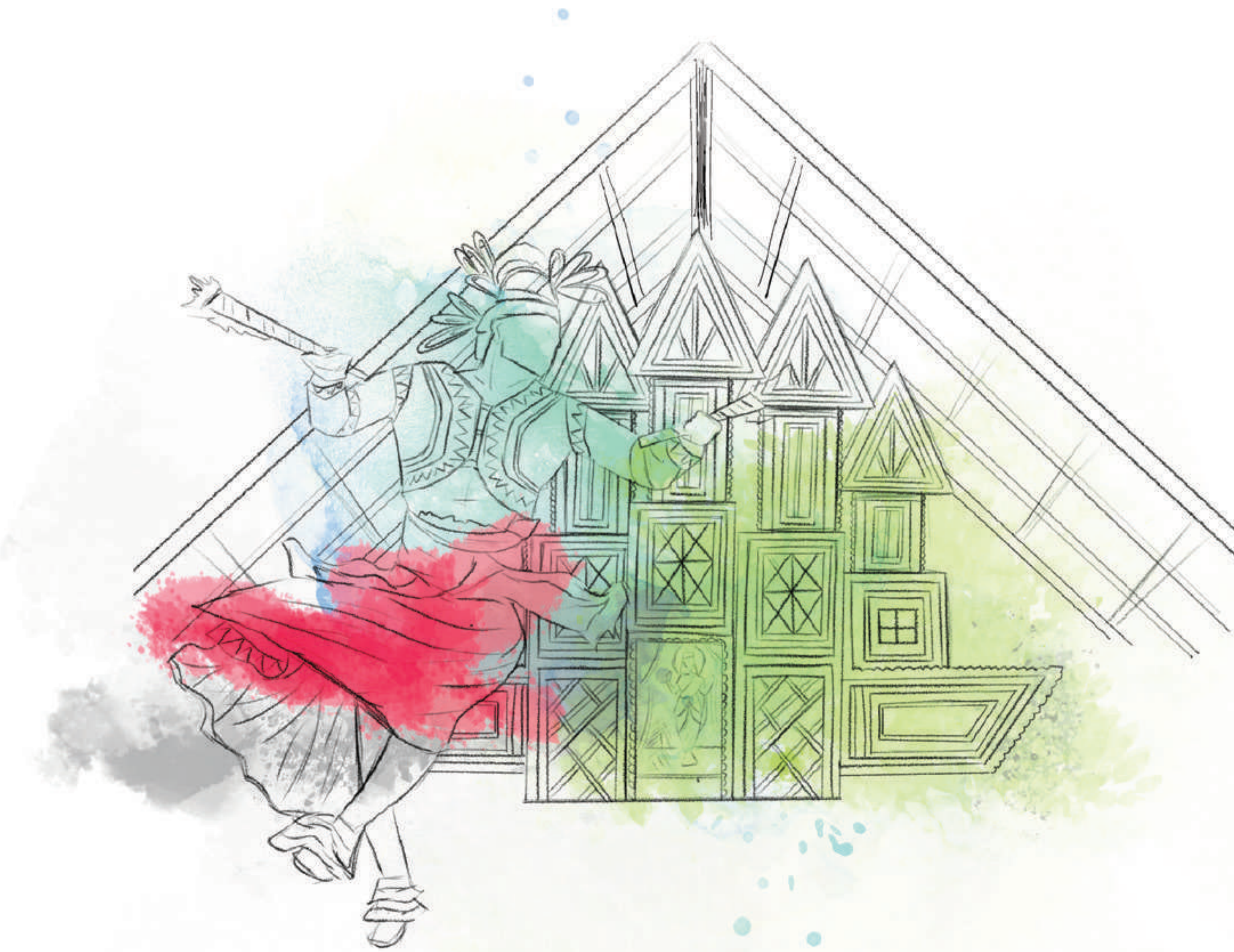


The above Group Structure does not reflect DIMO Bangladesh (Private) Limited which was incorporated in May 2022 and Tropical Health Foods (Private) Limited which was acquired in May 2022.

The capacity for collaboration

As we look to the future, we believe that together, we possess the capacity to rise above uncertainty, and overcome challenges.

The Gammaduwa is a local practice that is often witnessed in villages, performed through a spirit of camaraderie and togetherness, in order to inspire positivity, and dispel negativity. Over the years the ritual has continued to evolve, yet retains its original purpose of providing protection against times of adversity.



MANAGEMENT COMMENTARY

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Capital Report 46 | Business Report 64 | DIMO Sustainability Agenda 2030 76

OPERATING CONTEXT AND OUTLOOK

This section evaluates the external environmental context in which DIMO operates, the key risks and opportunities arising from the external environment, and the outlook we anticipate for the same.

Table 01: Detailed Account of Operating Context

Indicator	Measure	Overall Impact on DIMO
GDP growth	In real terms, the Sri Lankan economy which contracted by 3.6% last year grew by 3.7% in year 2021. However, economic activities slowed down in the latter part of the fiscal year due to economic uncertainty.	Gradual recovery from the COVID-19 pandemic has boosted performance in the first two quarters of the financial year. The performance in the latter part of the year was hampered by the country's economic uncertainty.
Exchange rate	The Rupee fell by 48% to Rs. 293.87 against the US dollar on March 31, 2022, compared to its closing rate of Rs. 199.04 per USD on March 31, 2021. Other major currencies followed a similar pattern.	48% rupee depreciation during the last two months of the financial year exposed the Group to over Rs. 1,450 million steep foreign currency exchange loss. Increase in the cost of goods imported led to a substantial price hike.
Inflation rate	Headline inflation measured by the year-on-year (YoY) change in the National Consumer Price Index settled at 21.50% in March 2022 (5.10% in March 2021).	Gradual increase in inflation in the first half of the year provided favourable impacts to both supply and demand side. The increase in inflation in the latter part of the year dampened consumer demand.
Interest rate	The average of 12 months Weekly Average Weighted Prime Lending Rate (AWPLR) for financial year 2021/22 was 7.03% compared to the average of 7.01% recorded for the previous financial year. AWPLR as at 31st March 2022 was 10.35%	Lower interest rates prevailed in the first to third quarter of the financial year had a positive impact on the cost of capital. This strengthened the demand for capital goods and industrial projects including pre-owned vehicles, agri machinery and construction machinery.
Investments	Investment expenditure at current market prices grew by 23.2% in 2021 due to the gradual rebound in economic activities. It is a recovery from the contraction of 4.2% recorded in 2020. This increase was reflected in areas such as construction, transport equipment, machinery and Information and Communication Technology (ICT) equipment.	This had a positive impact on demand for construction machinery and other industrial solutions offered by the Group.
Environmental indicators	World Economic Forum continues to identify environmental issues including climate change and extreme weather conditions under top ten risks for next ten years.	Increase in demand for sustainable solutions offered by the Group including renewable energy, farming practices and water management systems.
Market liquidity	Increased credit facilities available to the private sector and large infusions of liquidity to the domestic money market led to an increase in market liquidity in the first half of the year 2021. However, inflation combined with rupee depreciation led to reduced liquidity in the market in the latter part of the year.	Improved liquidity supported the growth in the sale of capital nature goods including construction machinery, pre-owned vehicles, and agri machinery. This also facilitated sourcing low-cost working capital.
Consumer confidence	The Institute for Health Policy Sri Lanka's Index of Consumer Expectations (ICE), based on their Opinion Tracker Survey, ranged from 30 to 45 during the year. However, due to the economic crisis, the indicator fell steadily to a low of four in the latter part of the year. This index measures consumer expectations for the future.	Higher ICE which demonstrates positive consumer sentiments had a positive impact on demand for capital nature products, retail products and agri inputs.

MC - Monetised Capital **HC** - Human Capital **RC** - Relationship and Social Capital **IC** - Intellectual Capital **NC** - Natural Capital

The section also provides an overview of the impact of operational circumstances on the availability, affordability, and quality of capital required for DIMO's value creation. Business segment-specific environmental contexts are discussed in more detail in the segment review. References are provided to other sections of the report where more details could be found.

Future Outlook	Impact on the Availability, Affordability, and the Quality of Capitals				
	MC	HC	RC	IC	NC
The International Monetary Fund (IMF) predicts that the Sri Lankan economy will grow only by 2.6 % in 2022. In this context, we anticipate that the current economic challenges including import restrictions will persist for another short period of time, followed by a gradual recovery in the medium-term.	High	Medium	Low	Medium	Low
The country's current shortage of foreign currency will continue until the government completes and implements economic reforms. We anticipate that the Central Bank will soon arrest the steep depreciation of the Rupee and start building foreign currency reserves.	High	Medium	High	Medium	High
Inflation will continue to rise in the short-term until reforms are introduced to resolve foreign currency shortages and/or the nation significantly amends its consumption habits. We expect a correction to the prices in the medium-term.	High	High	High	Low	Low
The Central Bank is expected to take drastic measures to combat the country's high inflation. Thus, tight monetary policies are likely to be the primary tool of choice. In the short-term and near medium-term, we expect the AWPLR to remain above 17%.	High	Low	Medium	Medium	Low
Increase in interest rate and high inflation are expected to curtail investments in the short-term with a rebound anticipated in medium-term.	Medium	Low	Medium	Medium	Medium
Our foreign partners will place greater emphasis on sustainable business practices throughout their supply chain, including their expectations on overseas agents.	Low	Low	High	High	High
Increasing inflation will lead the Central Bank to curtail money supply in the market. Increase in interest rate and reduction in government expenditure are two key approaches the Central Bank is likely to encourage. We thus anticipate further reduction in liquidity in the market in the short-term.	High	Low	Low	Low	Low
With the prevailing economic conditions and the communications by the Central Bank on the short-term economic crisis in the country, we expect the ICE to fall further creating a negative impact on non-essential goods sold by the Group.	Medium	Medium	High	Low	Low

High Impact   Medium Impact   Low Impact

Please refer page 64 to 75 of the segment reviews for industry specific external environmental context

Please refer page 104 to 108 of the risk management section for more information about key risk mitigation

Please refer page 14 of the Chairman's Message and page 17 of Group CEO's Statement for the perception of the management on operating context

STRATEGY AND RESOURCE ALLOCATION

The impact of the COVID-19 pandemic resulted in a shift in our strategic focus since the lockdown began in March 2020. Initially, our focus was on 'Resilience', as we managed the Group through the most restrictive phases of the lockdown.

We immediately switched to 'Transition' to embrace the new normal capitalising on our digital capabilities and the digital transformation journey that had already begun. Sri Lanka now requires complex manoeuvring through significant economic and political challenges as well as multiple supply and demand side uncertainties; our focus has thus shifted to 'Reimagine'. We will now reshape our strategy, based on DIMO's strategic pillars namely Diversification, Differentiation, and Collaboration, to reset our revised short, medium and long term aspirations to emerge more resolute and create value for stakeholders, in a sustainable manner.

Figure 01: DIMO's Strategic Tilt: Navigating Through Economic Challenges

RESILIENCE

Managing uncertainties that emerged out of COVID-19 pandemic

With the onset of COVID-19 pandemic DIMO shifted its business to resilience mode. Key focus on this phase was to ensure health and safety of our employees and secure cash flows to facilitate mandatory expenses.

TRANSITION

Recovery through digital transformation

While the country was still affected by the pandemic, DIMO realised that it needs to shift its focus to be in line with the new reality. Key focus of this phase was to invest in ICT infrastructure to improve agility and align processes to international best practices. In this phase DIMO took a decision to invest in the most advanced ERP system with an expectation to go live in 2023.

REIMAGINE

Reshaping the strategy to face new economic and political challenges

In the midst of our digital transformation, Sri Lanka experienced a severe shortage of foreign currency and consequently an economic crisis. As an import-oriented organisation, DIMO bore the brunt of the impact. With the management's steadfast decision to reshape DIMO's corporate strategy with a revised set of targets and re-alignment of resources to face the challenges lying ahead, the Company now moves into Reimagining.

DIMO Ventures into Value Added Agri Business

Inline with DIMO's strategy reimagination, the company committed to investing in two companies that produces organic coconut and fruit related products targeting international markets. Total investment expected on these businesses are Rs. 450 million.

Strategy 'Reimagine'

Our revised 'Reimagine' strategy gives us a clear view of where we will focus as a purpose-led organisation to overcome the challenges prevailing in the country.

Figure 02: DIMO Corporate Strategy Snapshot

DIMO's Purpose
Fuelling Dreams & Aspirations

Brand Promise
Perfect Partner

Strategic Ambitions

Strengthening the Product Portfolio
- Revenue Generation Beyond Sri Lanka
- Increase Local Value Addition
- More Sustainable Products and Services

Continuous Organic Growth

Become the Partner of Choice

Short, Medium and Long Term Strategic Actions

Related and unrelated diversification	Differentiation and market penetration	Automation and business process re-engineering
Medium to Long Term	Short to Medium Term	Short to Medium Term

Long-Term Strategic Ambitions

Long-term strategic ambitions provide clear guidance in terms of the composition of the company's product portfolio and the future state of DIMO's systems and processes. Optimising both these aspects is vital for value creation and to fuel dreams and aspirations of our stakeholders in the short, medium and long terms.

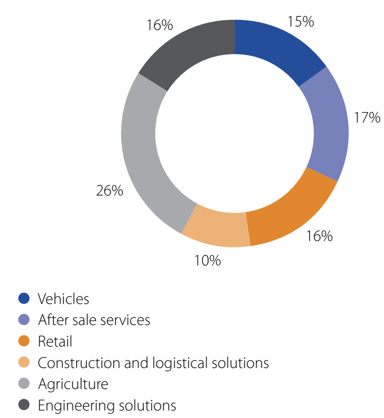
Strengthening the Product Portfolio

DIMO's business model used to entail representing internationally renowned business partners in Sri Lanka. Local value additions primarily consisted of supply chain efficiencies, engineering solutions, and after sale services. Whilst this model enabled DIMO to bring to Sri Lanka an array of trusted globally recognised brands, it posed two risks that required attention: a high reliance on the vehicle sales business and a high reliance on the ability to import.

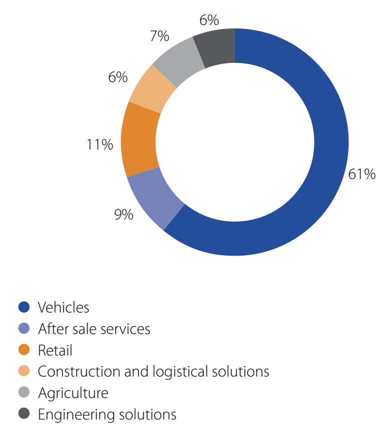
In anticipation of the realisation of the downside risks, DIMO pursued a strategy of diversification in a bid to mitigate these risks. The strategy focused on diversifying into businesses with higher local value addition. Investments in expanding the agribusiness in 2017 is one such initiative among many that have followed. By 2020, DIMO countered the concentration risk on vehicle sales. Currently, vehicle sales account only for 15% of the Group's revenue.

The reliance on imports however remains high. The 'Reimagine' strategy is formulated to expedite the process of further diversifying the business portfolio to reach a more balanced product portfolio that has greater tolerance to economic shocks. The primary focus of this endeavour is for sustainable business solutions and local value addition. Below presented is how the revenue composition changed in last five years.

Graph 01:
Revenue Composition 2021/22



Graph 02:
Revenue Composition Five Years Back



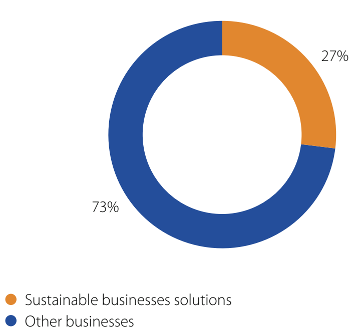
STRATEGY AND RESOURCE ALLOCATION

Table 02: Strengthening the Product Portfolio: Explained

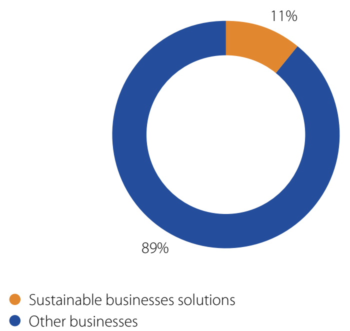
	Revenue Generation Beyond Sri Lanka	Increasing Local Value Addition	Increasing Revenue Generated from Sustainable Business Solutions
Why this is strategically important	DIMO's business model depends heavily on imports and local policy restrictions. Going beyond Sri Lanka to generate revenue in foreign currency though exports or operating businesses outside Sri Lanka and generating profits in foreign currency thus a key focus in our long-term strategy.	Ability to import is heavily regulated and subject to economic shocks. Venturing into businesses with a higher component of local value addition will reduce this dependency and increase the resilience of the product portfolio.	With just eight years remaining to the achievement of UN's Sustainable Development Goals, Sri Lanka lags behind in the required progress. Integrating the concept of sustainability into every sphere of business operation including revenue generation is the key to ensuring the going concern of our businesses in the long-term.
How do we measure progress	Diversification • Investment in coconut related exports business. The operations are due to commence in 2022. • Investment in cut vegetable and fruit export business in 2022. • Investing in establishing a subsidiary in Bangladesh to sell construction machinery.	Vertical integration • Investment in commercial vehicle assembly plant. • Investment in water pump assembly operations. • Investments in low voltage panel building locally. • Proposed investment for the manufacture of environmentally friendly wall paint.	DIMO's sustainability footprint is in five business verticals • Power and Energy • Agriculture • Water • Medical • Education  During the year under consideration, all five business verticals cumulatively contributed to 27% of the Group's revenue (2021/21 – 25%).

Future pipeline checklist	In addition to the above mentioned two criteria, proposed acquisitions and expansions in the pipeline are filtered through
	• Due diligence
	  - Finance
	  - Legal
	  - Compliance and sustainability of the targets' operations
	• Synergy filter
	  - Related industry / expertise
	  - Vertical or horizontal integration
	  - Use of existing distribution channels and cross selling to existing customer bases
	  - Cultural synergies		

Graph 03:
Revenue Contribution from Sustainable Products and Solutions 2021/22



Graph 04:
Revenue Contribution from Sustainable Products and Solutions Five Years Back



Continuous Organic Growth

While we aggressively pursue new growth opportunities, it is critical that we achieve significant organic growth within our existing businesses. Main businesses in our current portfolio can be divided into three major categories based on the similarities of the value chains. The table below highlights the dependencies, challenges, and strategies implemented by each business model to overcome challenges and continue organic growth.

Figure 03: Continuous Organic Growth Explained

	Trade	Engineering	Manufacturing
Description	Representing internationally renowned brands in Sri Lanka. Involves a retail business model where local value addition is limited to warehousing, distribution and after sale services.	Providing engineering solutions together with internationally renowned products. Local value addition is broader and includes recommending the most optimal solution, sourcing and delivering of products, installations, commissioning and after sale services.	Providing products which are locally manufactured, assembled, blended or packed. Local value addition is in terms of manufacturing, distribution and after sale services.
Segment representation	Retail, Vehicles, Construction and logistical solutions, Agriculture, Engineering Solutions	After sale services, Construction and logistical solutions, Engineering Solutions	After sale services, Retail, Agriculture
Existing business portfolio	Power tools, tyres, kitchen appliances, LED bulbs, vehicle parts, vehicles, construction machinery and storage handling machinery, tractors, medical consumables, etc.	Power projects, lighting projects, building management systems, fluid management systems, storage and warehousing management systems, vehicle services and repair, medical solutions, escalators and elevator solutions, marine engineering solutions, railway solutions, etc.	Agri fertiliser, pesticide and seeds, paints, water pumps and vehicles (locally assembled).
Key differentiating factor for competitive advantage	• Business partner relationships • Customer reach • Investments in distribution channels • After sales service facilities	• Access to world renowned technologies through business partners • Highly competent engineering staff • Tacit knowledge of our employees • Relationships with institutional customers	• Investments in research and development • Customer reach
Value chain	Please refer page 43 for the business model	Please refer page 43 for the business model	Please refer page 44 for the business model

STRATEGY AND RESOURCE ALLOCATION

	Trade	Engineering	Manufacturing
Key challenges	• Restrictions to product imports due to scarcity of foreign exchange • Reduction in customers' purchasing power due to inflation • Increased logistics cost due to fuel price hike • Increase in interest rate affecting cost of capital for capital projects • Inconsistent government policies on fertilisers and pesticides		
Short-term strategies to face foreign currency crisis	• Prioritising imports based on humanitarian factors, principal criticality, and the likely gross profit margin • Promotion of digital sale channels • Seek local sourcing options • Partner with customers to reduce foreign currency exposure • Strengthen revenue generating from after sale services • Promote cash sales and reduce debtor collection period		

Becoming the Partner of Choice

This strategy is driven by being excellent at what we do and delivering delightful customer experiences. Excelling in these two aspects requires world-class systems and processes. We therefore undertook a business process re-engineering programme in 2020 to adopt time-tested best practices. The diagram below elaborates the focus areas for restructuring in the short-term and the expected medium to long-term synergies.

Figure 03: Business Process Re-engineering explained

Focus Areas

Centralised Supply Chain	Redefine Customer Experience	Improving Data Visibility and Analytics

Expected Medium to Long Term Synergies

- Stock availability at lowest cost through centralised demand planning and procurement
- Improved transparency across the supply chain
- Enhanced customer experience and their advocacy
- Agile decision-making with enhanced data availability
- Improved accountability across all processes

Progress – Blueprint Level

Expected Go Live – Financial Year 2023/24

Basis for Resource Allocation

The matrix below illustrates the basis for capital allocation for each strategic aspiration. The basis demonstrates the criticality of each capital for each strategic aspiration. Refer to pages 46 and 47 of the capital report to get more information about how each capital is managed to ensure its availability, affordability, and quality for each strategic pillar.

	Strengthening the Product Portfolio	Continuous Organic Growth	Becoming the Partner of Choice
Monetised Capital	● High dependency	● Moderate dependency	● Moderate dependency
Human Capital	● High dependency	● High dependency	● High dependency
Intellectual Capital	● Moderate dependency	● Moderate dependency	● High dependency
Social and Relationship Capital	● Moderate dependency	● High dependency	● High dependency
Natural Capital	● High dependency	● Less dependency	● Less dependency

● High dependency ● Moderate dependency ● Less dependency

Sales and Operations Planning (S&OP)

DIMO has adopted best practices for planning demand of its products to streamline capital trade-offs for procurement and trade activities, three years back. Today the process has helped organisation understand the real return of investments in trade activities and has drastically optimised its stock availability. Digital transition and centralised supply chain function is expected to improve this process even further.



DIMO Invest in Tropical Health Food (Private) Limited that supplies cut-fruit and vegetables to foreign markets.

VALUE CREATION MODEL

DIMO PURPOSE

"Fuelling Dreams and Aspirations"

Capital Inputs at the Beginning of the Year

Monetised Capital

This includes capital that can be evaluated in monetary terms. Accordingly, both financial and manufactured capitals are included under monetised capital (Indicators as at 31st March 2021).

- Rs. 14,961 million in equity
- Rs. 4,551 million in borrowings
- Rs. 13,859 million in Property plant and equipment
- Rs. 6,199 million in inventory

Human Capital

The competencies, experience, diversity and the level of engagement of our employees are our human capital (Indicators as at 31st March 2021).

- 1,804 employees
- 4.06 employee engagement score
- 50% of employees with over 5 years of experience at DIMO
- 43 female employees in decision-making roles

Social and Relationship Capital

This includes the quality of relationships with our key stakeholders that provide us key capitals for the value creation process (Indicators as at 31st March 2021).

- 89% customer satisfaction index
- Strategic relationships with over 86 foreign principals
- Rs. 22 million worth of voluntary investments in community progress

Intellectual Capital

This includes DIMO's brand reputation and other organisational capitals such as tacit knowledge, systems, processes and protocols.

- DIMO during its 80 years of business excellence has accumulated a significant brand reputation, a valuable pool of tacit knowledge and time-tested systems and processes.
- Certified management systems

Natural Capital

This includes environmental resources we utilise for our value creation process (Indicators as at 31st March 2021)

- Water and electricity extracted through public sources
- Renewable energy sources with a capacity of 2,620 Kw

page 46 to 63

Business Activities

Trade

Sourcing
Warehousing
Customer experience
Delivery
After sale services

Manufacturing

Sourcing
Warehousing
Manufacturing
Customer engagement
Delivery
After sale services

Direct Business Activities

page 43 to 44

Engineering

Customer engagement
Solution mapping
Sourcing
Warehousing
Engineering and delivery
After sale services

Direct Capital Building Activities

page 46 to 63

Governance Frameworks, Risk Management and Management Systems

page 84 to 108

Redeployment of Capitals

Outputs

Products and Services

- Agriculture Products
- Engineering Solutions
- Retail
- Construction and Logistical Solutions
- Vehicle sales
- After sales services

page 64 to 75

By-Products

Solid non-hazardous waste

246,996 kg
(2020/21 – 239,719 kg)

Solid hazardous waste

108,321 kg
(2020/21 – 120,170 kg)

Carbon Emission

5,376 tCO_2e
(2020/21 – 4,233 tCO_2e)

page 110 to 122

Outcomes in Capitals at the end of the year

Monetised Capital

Increase / decrease in the quality, availability and the affordability of Monetised capital (Indicators as at 31st March 2022).

- Rs. 15,466 million in equity
- Rs. 8,951 million in borrowings
- Rs. 14,072 million in Property plant and equipment
- Rs. 9,800 million in inventory

Human Capital

Increase / decrease in the quality, availability and the affordability of Human capital (Indicators as at 31st March 2022).

- 1,875 employees
- 4.20 employee engagement score
- 53% of employees with over 5 years of experience at DIMO
- 50 female employees in decision making roles

Social and Relationship Capital

Increase/decrease in the quality, availability and the affordability of Social and Relationship Capital (Indicators as at 31st March 2022).

- 92% customer satisfaction index
- Strategic relationships with 94 foreign principals
- Rs. 24 million worth of voluntary investments in community progress

Intellectual Capital

Increase/decrease in the quality, availability and the affordability of Intellectual capital

- Being recognised by external institutions for excellence in business conduct.
- DIMO Occupational Health and Safety Management system was ISO 45001:2018 certified.

Natural Capital

Increase / decrease in the quality, availability and the affordability of Natural capital (Indicators as at 31st March 2022).

- Introduce DI-SOLAR the solution that allows industries to utilize solar power without battery storage during power outage and thereby reduce the fuel consumption of generators.

page 46 to 63

SDGs

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE AND JUSTICE STRONG INSTITUTIONS

VALUE CREATION MODEL

Our value creation model enables us to carry out the mandate outlined in our purpose. The well thought out model depicts the material inputs we draw from capitals, key business activities, frameworks, and management systems employed to compete and deliver outputs, as well as the outcomes that result in an increase, decrease, or preservation of the availability, affordability, and quality of our capital stocks.

Please refer page 46 to 63 for the Capital Reports for more information about capital management activities

Please refer page 32 to 33 for more information about the outlook on operating context and their impact on capitals

Inputs

Many factors influence the availability, affordability, and quality of inputs required for future value creation. One such factor is the quality of relationships maintained with key stakeholders on whom we rely for these inputs. The table below provides a snapshot of capital availability and the management guide for prioritising capital trade-offs when navigating a crisis.

Table 04: Input Dependency Snapshot

Capital	Key Factors Affecting Availability, Affordability, and the Quality of Inputs		Trade-off Priority Guide in the Short-Term to Navigate the Economic Crisis
	Quality of the Relationship with Stakeholders	Other Factors	
Monetised Capital (MC)	Financial Institutions ●●●●● Shareholders ○○●●●	• Interest rate • Inflation • Exchange rate • Import regulations	• Employee well-being and safety (HC) • Customer experience (RC) • Process automation and digitalisation (IC) • Sustainability
Human Capital (HC)	Employees ●●●●●	• Youth migration • Government expenditure on education • Labour regulations	• Process automation and digitalisation (IC) • Customer experience (RC)
Intellectual Capital (IC)	Employees ●●●●● Society/community ○○○●● Customers ○●●●● Business Partners ●●●●●	• Ethical behavior • Availability of ICT infrastructure	• Automation and business process re-engineering • DIMO brand management
Relationship and Social Capital (RC)	Customers ○●●●● Business Partners ●●●●● Society / Community ○○○●●	• Rules and regulations • Inflation • Competitor value proposition	• No trade-offs are allowed at the cost of relationships with customers, business partners and society
Natural Capital (NC)	Society / Community ○○○●●	• Climate change and extreme weather conditions • Rules and regulations	• NC trade-off is made to improve MC. But the Group has implemented an Environmental Management System to ensure such trade-offs are made responsibly. DIMO sustainability strategy focuses on restoring such degradation caused by our value creation.

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

Business Activities

Capital inputs are converted into value through four categories of business activities - primary business activities, direct capital building activities, management systems, and governance frameworks.

Primary business activities are those that are directly related to three key sub-business models DIMO employs to generate outputs in its six business segments. These sub-business models are trade, engineering, and manufacturing.

Direct capital management activities are mainly direct capital trade-offs with the goal of improving capital availability, affordability, and quality. This mandate is carried out by specific centralised support service divisions within the Group including the Human Resource Management team, Finance team, Customer Experience Management team, ICT team, and the Sustainability team.

Capital inputs are also employed on management systems and governance frameworks to ensure that the direction of activities is aligned with the overall purpose and strategy of the company.

The table below elaborates primary business activities of each business model. Other activities are explained in detail in other sections of this report.

Please refer page 34 to 39 for the strategy section for more details about primary business activities.

Please refer page 46 to 63 for the Capital Reports for more information about capital management activities

Please refer page 84 to 99 for the governance report for more information about governance frameworks

Figure 03: Trade Business Model

	Sourcing	Warehousing	Customer Experience	Delivery	After Sale Services
Competitive advantage and facilitating innovation	• Access to world-class products/brands • Demand planning and optimise stock		• Investments in customer experience centres • Improve data availability for real-time information	• Customer reach through island-wide branch and dealer network • Delivery optimisation through sales	• State-of-the-art after sale services accessible across the island

Most Important Capitals for the Competitive Edge – MC, RC

Figure 04: Engineering Business Model

	Customer Engagement	Solution Mapping	Sourcing	Engineering	After Sale Services
Competitive advantage and facilitating innovation		• Highly skilled engineering team • Accumulated tacit knowledge for over decades	• Access to world-class technology through foreign principals	• Highly competent engineering team • Relationship with high-quality local subcontractors • Knowledge transfer from foreign principals	• State-of-the-art after sale services • Highly trained services team • Accumulated tacit knowledge for over decades

Most Important Capitals for the Competitive Edge – HC, IC

VALUE CREATION MODEL

Figure 05: Manufacturing Business Model

Competitive advantage and facilitating innovation

Sourcing	Warehousing	Manufacturing	Customer Experience	Delivery
• Island-wide outgrowers' network • Access to world-class inputs from local and foreign principles • Investments in R&D for improved agri inputs		• Investments in state-of-the-art blending, assembly and packing plants	• Investments in three Agri Techno Parks for customer experience and training	• Island-wide dealer network

Most Important Capitals for the Competitive Edge – MC, RC, IC

Outputs

The outputs we create are categorised into six business segments namely, Vehicles Sales , Retail, After Sales Services, Construction and logistical solutions, Agriculture and Engineering solutions. Moreover, the by-products of our business operations mainly waste, and emission are considered negative outputs arising from the value creation process.

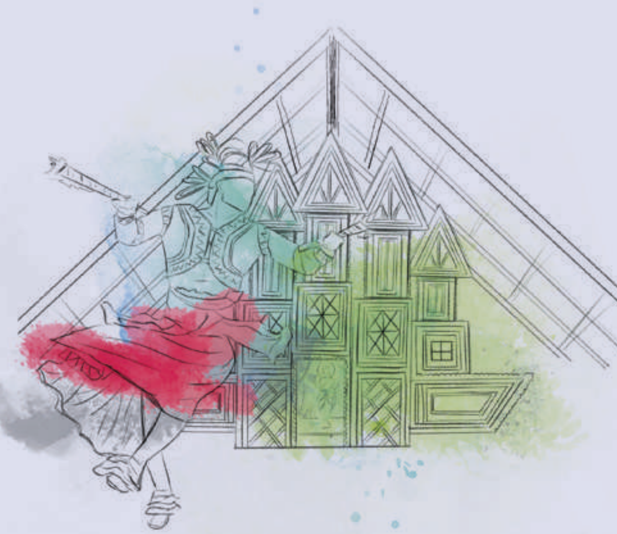
Outcomes

Outcomes of the value creation process are depicted in the increase, decrease or preservation of the available capital stocks. Key indicators about outcomes are presented within the value creation model presented on page 40 and 41.

Please refer page 64 to 75 of the business reviews for more information about outputs

Please refer page 110 to 122 of the ESG statement for more information on by-products of the value creation process

Please refer page 46 to 63 for the Capital Reports for more information about outcomes of the value creation.



Capital Management Reports

48
Monetised Capital

56
Intellectual Capital

51
Human Capital

63
Natural Capital

59
Social and Relationship Capital

CAPITAL REPORT

MANAGEMENT COMMENTARY

Table 05: Statement of Capital Performance

Capitals	2021/22	2020/21	2019/20	2018/19	2017/18
Monetised Capital					
Equity (Rs. million)	**15,466**	14,961	12,349	12,080	12,049
Borrowings (Rs. million)	**8,951**	4,551	11,287	10,134	9,189
Gross margin (%)	**26.30**	24.23	21.21	19.03	16.33
Earnings per share (Rs.)	**76.06**	52.72	21.12	5.78	58.50
Debt to equity ratio (%)	**57.88**	30.42	91.40	83.89	76.26
Human Capital					
Employee engagement score (Index)	**4.20**	4.06	4.11	3.89	4.00
Average training hours per employee (Hours)	**23**	19	13	19	29
Female employees in decision-making roles (Number)	**50**	43	42	45	42
Social and Relationship Capital					
Customer satisfaction index (Index)	**92**	89	90	87	88
Number of strategic relationships with foreign principals (Number)	**94**	86	88	85	90
Investment in social progress (Rs. million)	**24**	22	75	89	108
Intellectual Capital					
Being recognised as a great place to work (Status)	**Yes**	Yes	Yes	Yes	Yes
Recognition for corporate reporting by external bodies (Status)	**Yes**	Yes	Yes	Yes	Yes
Obtaining ISO certification for QMS and EMS (Status)	**Yes**	Yes	Yes	Yes	Yes
Natural Capital					
Total water consumption to generate one million revenue (m^3)	**2.62**	3.13	2.67	3.08	2.41
Total energy consumption to generate one million revenue (GJ)	**1.52**	1.47	1.90	2.00	1.76
Renewable energy generation (GJ)	**11,739**	10,734	N/A	N/A	N/A

Customer Satisfaction Index

92%

2020/21 – 89%

Employee Engagement Score

4.20

2020/21 – 4.06

CAPITAL REPORT

MANAGEMENT APPROACH: ALIGNMENT TO STRATEGY

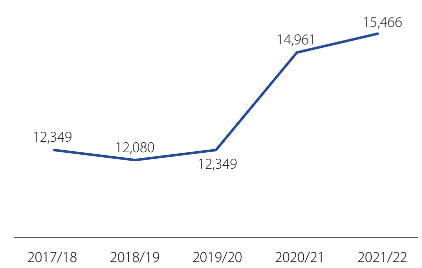
The table below summarises the management approach of each capital to ensure availability, affordability, and quality of the capital for the successful implementation of short to medium and long term strategic actions as depicted in the strategy presented on page 34.

Capital Stock	Key Strengths that Increase Resilience to the Economic Crisis	Related and Unrelated Diversification
Monetised Resources	• Total assets base of Rs. 40,305 million (2020/21 – Rs. 32,116 million) for the Group • Unutilised Bank Facilities of Rs. 6,190 million as at 31st March 2022 • Lower gearing ratio at 11.18% allowing more room for borrowing (2020/21 - 9.9%) • Stocks at hand as at 31st March 2022 – Rs. 9,800 million	Maintaining mutually beneficial relationships with financial institutions to source funds for acquisitions. Group currently conducts operations with 11 financial institutions out of which two are international banks.
Social and Relationship Capital	• Diversified strategic relationships with foreign principals representing 94 international brands • 38 strategic business partners with relationships exceeding over 10 years • A diversified customer portfolio without major dependencies on one category	Forming relationships with new foreign and local business partners for new business opportunities.
Human Capital	• Over 1,800 employees with 4.20 employee engagement score • 370 employees with over 10 years of experience • 98 employees in middle leadership positions in the succession planning pipeline for leadership • 148 high potential employees identified through structured evaluations.	Creating employee succession pipeline to take up leadership in new businesses. Improving capabilities of the senior management team to manage increasing complexity. Continuously trading-off monetised capital for employer branding and training to ensure the availability of quality employees to take up new challenges.
Intellectual Resources	• Brand equity earned with over 80 years of business excellence. • Tacit knowledge accumulated within decades of business	Strengthening the governance process for new business investments to ensure businesses that have sufficient returns are being approved.
Natural Capital	• Solar systems with over 2,620 kW energy generating capacity • Availability of natural water sources in the country	Proposed investment in expanding the renewable energy generation.

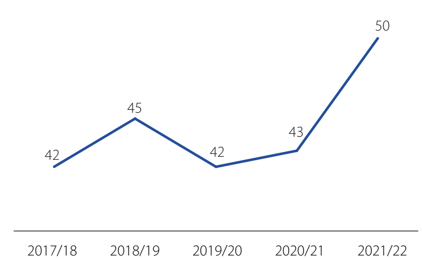
Ensuring Availability, Affordability, and the Quality of Capitals for the Successful Implementation of Strategic Actions

Differentiation and Market Penetration	Automation and Business Process Re-engineering
Prioritising monetised capital trade-off for branding and customer experience. Strictly ensuring gross profit margins are maintained at product level through pricing policies.	Trading off nearly Rs. 2,000 million worth of monetised capital for a state-of-the-art ERP system to enable automation and business process re-engineering.
Forming relationships with new dealers and distributors to reach new local markets. Negotiations with foreign principals for innovations in existing products.	Transforming from mainstream customer relationship management to customer experience management. Making available real-time data to improve customer experience. Launching DIMO's Sustainability Agenda 2030, to create resilient communities.
Continuous improvement in employee reward system to ensure employee alignment to the strategy. Continuous employee engagement initiatives to improve employee engagement and motivation.	Increasing employee mobility through restructuring and internal transfers. Trading-off over 100 employees to be involved in the ERP transition process by releasing them from operations. Continuous awareness and change management initiatives to ensure the readiness of employee to changing status quo.
Redefining customer experience process. Expanding investments in digital channels including new state-of-the-art e-commerce site and sales force automation technologies.	Group-wide state-of-the-art ERP implementation to enable automation and real time information. Centralised supply chain function. Centralising transaction processing.
Expansion of fluid and water solutions business to increase the access to water.	Automation of processes and digitalisation leading to less use of paper and energy consumption on logistics.

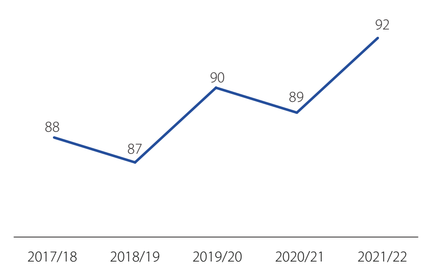
Graph 05:
Equity (Rs. million)



Graph 06:
Female Employees in Decision Making Roles



Graph 07:
Customer Satisfaction Index



CAPITAL REPORT

MONETISED CAPITAL

- **Includes financial and manufactured capital**
- **Primary medium for capital trade-off**

Sustain and Grow the Business through Monetised Capital Resources

The monetised capital assets and liabilities are those stated in monetary terms in the Financial Statements. Monetised capital being a capital that is closest to being converted into liquid cash, plays a key role in creating value for the business and to shareholders. Liquidity is a key success factor to any business and making available monetised capital, including the liquid assets in the required quality and quantity is a key determinant for the success of a business.

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

Group's Financial Results

The Group recorded a growth in net profit before tax for the financial year under review despite the disruption to business activities due to the COVID-19 pandemic and current economic conditions.

Revenue

Group revenue for the year 2021/22 was Rs. 37.5 billion, a 22% increase compared to Rs. 30.8 billion recorded in 2020/21. The increased turnover was primarily driven by the Construction and Logistical Solutions business segment, Retail business segment, and Agriculture business segment. The revenue of the Vehicle Sales segment declined by 15% compared to the previous financial year as a consequence of the continuation of government restrictions on motor vehicle imports during the year. However, the diversified product portfolio facilitated revenue growth despite curtailments in imports. Group's strategies for medium to long-term growth in revenue and profits are described in Strategy and Resource Allocation section on pages 34 to 39.

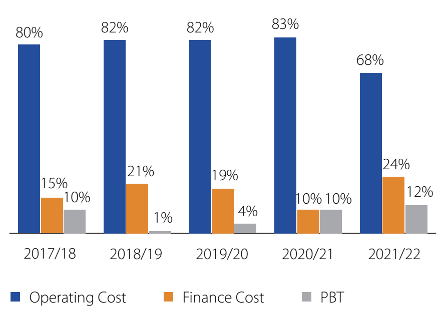
Gross Profit

Even though the cost of sales increased by 18% when compared with the previous year, the Group was able to realise 26% gross profit margin in 2021/22 mainly due to the Group revenue increasing by 22%. The focused effort at managing margins resulted in the achievement of a strong gross profit margin during the year under review. Despite the pressure on cost hikes due to a sharp increase in exchange rate and inflation, the Group was able to secure a healthy margin as a result of timely pricing decisions and robust controls on costs.

Operating Expenses

Cost optimisation has always been a management priority. As depicted in Graph 08, the Group's operating cost was reduced to 68% of gross profit in the year 2021/22. Operating costs, which include staff and administration expenses, has amounted to more than 80% of the Group's gross profit during the past four years. Improving this ratio is imperative to grow profitability. This trend demands greater attention to the optimisation of cost structures, effective utilisation of assets, and improvement of productivity.

Graph 08:
Cost as a Percentage of Gross Profit



Finance Expenses (Net)

The Group's net finance expenses increased significantly by 254% to Rs. 2,264 million during the year, compared to the previous year. Higher foreign exchange losses due to the steep increases in the exchange rate during the latter part of the year was the main contributor to the increase in net finance expense. The net foreign exchange loss for the year was Rs. 1,469 million (2020/21: a gain of Rs. 63 million) and the interest cost for the year was Rs. 850 million (2020/21: Rs. 734 million). The selling rate of the USD published by the Central Bank of Sri Lanka as at the beginning of the year was 202.10 whilst it was 298.99 as at the end of the year. The limitation in availability of foreign currency for imports compelled the Group to establish letters of credits on a usance basis, thereby creating a forex exposure on account of trade payables. The higher exposure together with rapid increases in the exchange rate led to the substantial foreign exchange loss, as noted above. In response, the Group frequently reviewed pricing mechanisms to recover such forex losses either partially or fully. Price adjustments made to recover forex losses too contributed to the increase in gross profit margins.

Taxation

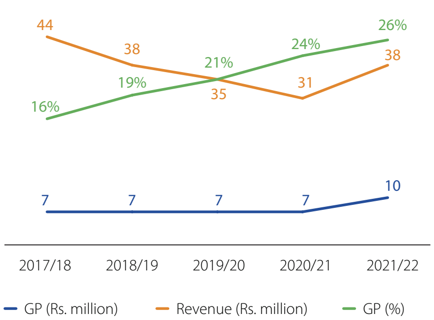
The tax we pay is important to the economic and social development of the country and therefore we have a responsibility to comply fully with relevant regulations. The Group's income tax charge for the year was Rs. 311 million (2020/21: Rs. 184 million). The increase in tax charge was due to the 121% increase in taxable profit, compared to the previous year. The effective tax rate (including the effect of the deferred tax expense) increased to 27% from a rate of 26% in the 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.

Profitability

The profit before tax was Rs.1,165 (2020/21: Rs. 720 million) which was a 62% (2020/21: 158%) increase over the previous year. The profit after tax too increased by 59% (2020/21: 167%) to Rs. 854 million (2020/21: Rs. 536 million). Agriculture, Retail, and After sale services were the main contributors to the year's profits. The Group's well-diversified product portfolio with diversed scale of margins, and optimisation of the Group cost structure allowed the Group to increase its profitability despite facing challenges of the COVID -19 pandemic, current economic conditions and the forex loss.

Revenue, gross profit, and gross profit margin over the last 5 years are illustrated in Graph 09.

Graph 09:
Revenue, Gross Profit and Gross Profit Margin

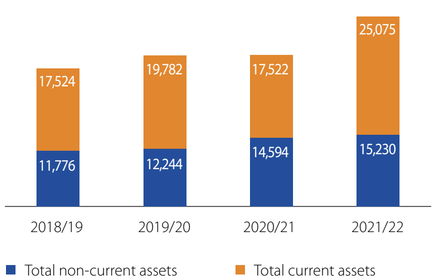


Group's Financial Position

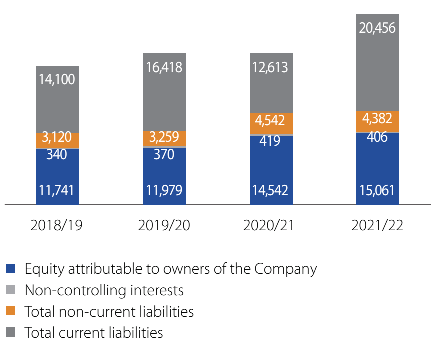
The Group was able to maintain a strong financial position while increasing its total assets by 25% to Rs. 40,304 million. On the other hand, total liabilities increased by 45% to Rs. 24,839 million.

The summary of the Group's financial position is illustrated in Graphs 10 and 11.

Graph 10:
Total Assets (Rs. million)



Graph 11:
Total Liabilities and Equity (Rs. million)



Group Assets

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

Investments in property, plant and equipment during the year amounted to Rs. 484 million (2020/21 - Rs. 303 million). This includes Rs. 153 million relating to the acquisition of the assets of the chemical business operation from BASF. The Group's capital work in progress relating to intangible assets increased to Rs. 175 million with the new investments in the ERP.

The increase in the Group's assets in 2021/22 was primarily driven by an increase in inventories, and cash and cash equivalents. The increase of inventory is mainly due to the intensional stock build-up to ensure the product availability to cater to the future market demand. Other receivables also increased mainly due to the investment in term deposits during the year. Cash and cash equivalents increased to Rs. 3,818 million, a 218% increase from Rs. 1,199 million in the previous year. Cash and Cash equivalents are managed by the Group's treasury function to ensure effective use of such funds.

Liquidity Management and Working Capital

Managing the flow of funds is imperative to ensuring efficient utilisation of resources, liquidity and solvency. This year, managing the sources and uses of funds required extra effort due to the impact of the COVID-19 pandemic and the uncertainty arising from adverse economic conditions.

Maintaining a healthy current ratio and a quick asset ratio is vital to manage liquidity. As depicted in Graph 12, the Group has maintained its current ratio at 1.2 times at the end of the year 2021/22. The graph further indicates the gradual increase in quick asset ratio over four years from 0.5 times in 2017/18 to 0.75 times in 2021/22, reflecting the Group's efforts to increase the liquidity of current assets by optimising inventory holding through strong demand planning activities and through better management of receivables. However, the quick asset ratio deteriorated to 0.75 from 0.9 in 2020/21 due to increase in inventory holding.

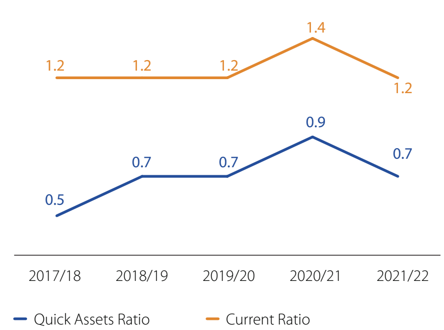
The Group recorded a growth in net profit before tax for the financial year under review despite the disruption to business activities due to the COVID-19 pandemic and current economic conditions.

Group's working capital decreased marginally by 6% to Rs. 4,618 million as at 31st March 2022 from Rs. 4,908 million as at 31st March 2021. The decrease is primarily on account of an increase in trade and other payables and short-term loans by 55% and 136% respectively. The translation impact of the foreign currency-denominated payables partially caused the increase in the trade payables as at 31st March 2022.

The average cash conversion cycle for the Group stood at 114 days for the year 2021/22 (2020/21 – 149 days). The improvement of the cash cycle is mainly due to the increase in trade payables. The Group continues to closely monitor the level of debt collection. During the cash cycle, working capital is funded through banking facilities. The unutilised banking facilities as at 31st March 2022 amounted to Rs. 6,190 million.

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.

Graph 12:
Liquidity Ratios



CAPITAL REPORT

MONETISED CAPITAL

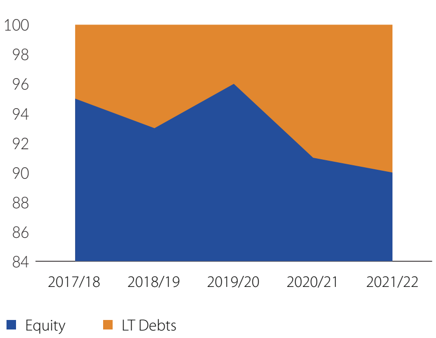
Capital Structure and Leverage

Diversification is the strategy that enables the Group's expansion and revenue growth. As depicted in Graph 09, the diversification of revenue streams has enabled the Group to enjoy a stable gross profit and growing gross profit margins. Every effort is made to ensure that the Group maintains a capital structure that enables cost-effective funding for new investments and acquisitions.

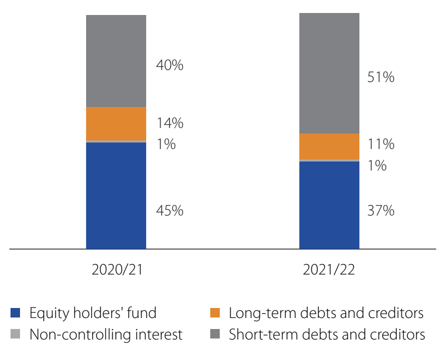
During the year, the Group invested Rs. 291 million was invested in Plantchem (Private) Limited and Plant Seeds (Private) Limited to acquire 19% additional ownership interest in each company, increasing the effective ownership interest to 70%. Rs. 25 million was also invested in a joint venture namely Azend Technologies (Private) Limited with the intention of diversifying into IT solution services.

As depicted in Graph 13, the Group has been maintaining a gearing ratio below 10% during the last five years. This affords the Group the flexibility to borrow to fund its capital investments. Over Rs. 7,223 million short-term borrowings of the Group, obtained to facilitate working capital, are outstanding as at 31st March 2022 (2020/21 – 3,063 million). The Group's total assets funding structure is depicted in Graph 14. The Group capitalised its reserves by issuing 355,057 ordinary shares at a total value of Rs. 195 million during the year.

Graph 13:
Capital Structure



Graph 14:
Funding Sources of Group's Assets



Cash Flow

Cash flow management encompasses how the Group manages its operations or business activities, financial investments, and financing activities; it is an integral aspect of financial capital management. The group treasury closely monitors and adopts prudent measures to manage its cash flows ensuring the effective use of available funds.

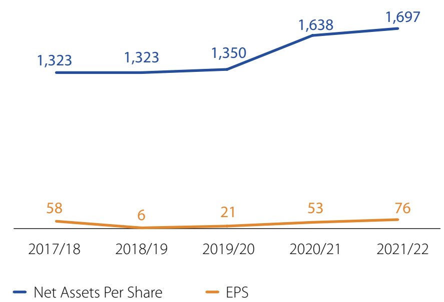
The Group recorded a net cash inflow of Rs. 2,537 million during the year compared to Rs. 344 million net cash inflow in 2020/21. Operating activities had a net cash outflow of Rs. 340 million as opposed to a net cash inflow of Rs. 7,558 million in the previous year, which was largely on account of an increase in inventories as at 31st March 2022. The investment in capital assets led to a cash outflow in investing activities amounting to Rs. 1,237 million (2020/21: Rs. 343 million). As a result of an increase in short-term borrowings during the year, financing activities recorded a net cash inflow of Rs. 4,114 million whilst last year it was a net outflow of Rs. 6,870 million.

Value Sharing 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 15, over the past five years we have increased our net asset per share to Rs. 1,697. The Earning Per Share (EPS) for the year under review increased by 44% to Rs. 76.06 from Rs. 52.72 per share from the previous year.

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 31st May 2021 for the Financial Year 2021/22 which is to be paid on or before 28th June 2022 (2020/21: Rs. 12.50 per share).

Graph 15:
Net Assets Per Share and EPS (Rs.)



Outlook for Monetised Capital

The prevailing economic conditions are likely to have negative impacts on the operation of the Group at least in the near short term, given that it is predominantly an import driven business operation. Furthermore, interest rate increases, low demand for products as a result of necessitated price increases, power interruptions and fuel shortages may also disrupt operations at least in the short term. However, the whole organisation is attuned to overcome and reduce the impact of these externalities.

As measures towards minimising the negative impact, the management has focussed on cost optimisation, margin management, effective utilisation of all resources and assets, and the exploration of new business opportunities as discussed in Operating Context and Outlook Section on pages 32 to 33. Business process re-engineering, integrating technology to improve process effectiveness and aggressive budgetary controls are some of the other key tools being used to overcome these negativities in the short to medium term.

The financial risks of the Group together with mitigating strategies are detailed in the Risk Management section on pages 104 to 108.

HUMAN CAPITAL

MANAGEMENT COMMENTARY

- **Provide skills, competencies, knowledge and expertise required to drive value creation**
- **Drives the digital transformation**

Figure 06: Capital Trade-offs and Development in Human Capital

KEY CAPITAL TRADE-OFFS

Investment in DIMO own outbound Training center "Touchstone" and vocational education center "DATS"

Rs.**4,089** million
worth employee benefits and welfare (2020/21 – Rs. 3,381 million)

Rs.**53** million
worth investments in training and HR consultations (2020/21 – Rs. 13 million)

KEY FOCUS AREAS

Employer Branding

- DIMO career page with over 2,000 engagements per month
- 24 career fairs and University Visits
- On-boarded the largest cohort of 21 graduate Interns under the flagship program, 'Future Talent Internship'

Making Work Enjoyable and Rewarding

- DIMO Avurudu celebration
- DIMO Vesak and Christmas celebration
- Many more employee engagement initiatives

Develop and Stimulate Right Individuals

- Training and development
- Leadership building
- Diversity and inclusion

SHORT TO MEDIUM TERM OUTCOMES

Improved Employee Trust

Achieving the highest ever employee trust index of 80 (2020/21 – 75) which demonstrates the effectiveness of our HR practices from employees' perspective

Improved Employee Engagement

Achieving the highest employee engagement score in our history; 4.20 (2020/21 – 4.06)

Being named one of the best places to work by Great Place to Work Institute Sri Lanka for the 10th Consecutive Year

Talent attraction, acquisition, development and retention are mainstream HR activities that ensure the availability, affordability and quality of human resources available for creating value. Our Employee Value Proposition (EVP) is 'making work enjoyable and rewarding'; the alignment between our EVP and the actual employee experience, together with a fair and equitable culture, has created a unique employer brand for DIMO. This in turn helps us attract, retain and engage talent in our value creation process.

Realignment of Human Capital and Change Management

The 'Reimagination' strategy necessitates that the digital transformation of DIMO undertakes a complete restructuring of the organisational structure and relevant systems and processes. Realigning human capital to embrace this substantial shift and managing change is mandatory for the success of the digital transformation.

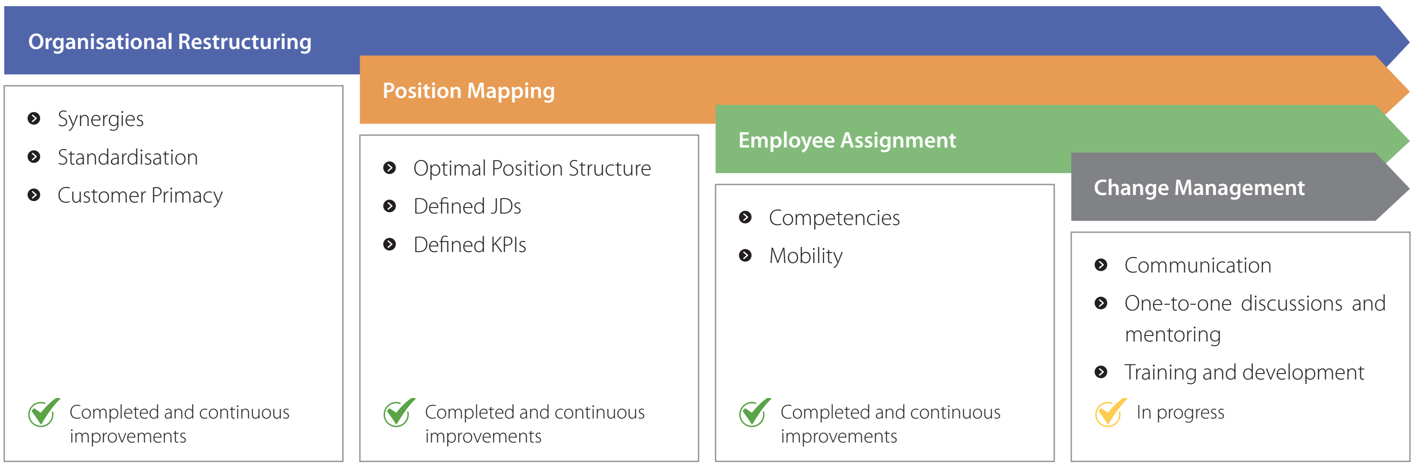
World-Class HR practices

- High-potential training programme
- Elevate leadership development plan
- Monthly employee councils
- HR clinks
- Online Learning Management System
- 'Touch Stone' the dedicated outbound training centre
- Online performance management system
- Employee Resource Group targeting a gender-smart organisation
- 'DIMO Api' a Facebook Group dedicated to engage employees 24/7
- A dedicated committee for employee health and safety

CAPITAL REPORT

HUMAN CAPITAL

Figure 07: Realignment of Human Capital with the Digital Transformation



The first step in the process was to restructure the Group's business activities and functions to maximise synergies and customer experience. Each business and process was thoroughly examined thereafter and the optimal level of positions required to carry out each business activity was scientifically mapped. Existing employees were then assigned positions in the new organisational structure following an evaluation of their capabilities and level of mobility.

It is important that our employees fully embrace the changes in their positions and processes if we are to reap the benefits of the digital transformation. A structured change management process thus followed to obtain employee buy-in for the transition. Employee communications on a regular basis, one-on-one discussions with HR experts, including mentoring, and direct discussions with the Chairman, Group CEO, and GMC members are just a few of the key initiatives in the change management process, with many more to come in the pipeline.

Maintaining Employee Engagement During the Economic Crisis

Despite the challenges posed by COVID-19, DIMO was able to achieve the highest ever employee engagement score which demonstrate employee alignment to strategy and the effectiveness of HR initiatives.

However, it is critical that we maintain satisfactory employee engagement levels while navigating the country's economic crisis which has disrupted daily lives of employees. The capital trade-off plan during crisis navigation will thus prioritise the maintenance of employee engagement levels and ensuring the well-being of our employees and their families. The figure below elaborates the overall model which will be used for this trade-off.

Figure 08: Employee Engagement with Crisis Navigation

Vision and Direction

A crisis causes anxiety, especially when employees are unsure about future direction. It is thus critical to maintain close interactions with employees and keep them updated on the direction being followed and current priorities. Initiatives undertaken towards this end included GMC meetings every two weeks to decide on the direction, cascading decisions down through segment heads, regular meetings between CEO and all business unit heads to directly discuss issues and make decisions on priorities, and digital communications via emails and the 'DIMO Api' Facebook page to keep employees updated on important information.

Increasing Employee Monetised Rewards

We understood that employees with lower salaries were among the worst affected by high inflation. We immediately took action to increase their basic salaries by trading off monetised capital. Other employee benefits, such as fuel allowances, were immediately increased to reflect market prices. Basic salaries of the remainder of employees were following performance evaluation.

Flexibility and Work-Life Balance

The economic crisis and the resultant scarcity of daily essentials has caused many inconveniences to our employees. It is important that we allow them flexibility and convenience to attend to the household and family responsibilities while balancing work commitments. This allows employees to worry less about the prevailing situation and to focus better on work. We have allowed employees the options to work from home and observe flexible working hours where such is operationally possible. All managers are instructed to put this mandate into practice as and when needed.

Employee Health and Safety

Creating a working environment that is safe, both physically and psychologically, is a consistent priority towards ensuring good engagement levels from our employees. In 2022 DIMO was able to get its Occupational Health and Safety Management System certified by ISO 45001:2018, a reflection of DIMO's efforts to create a safe and healthy working environment.

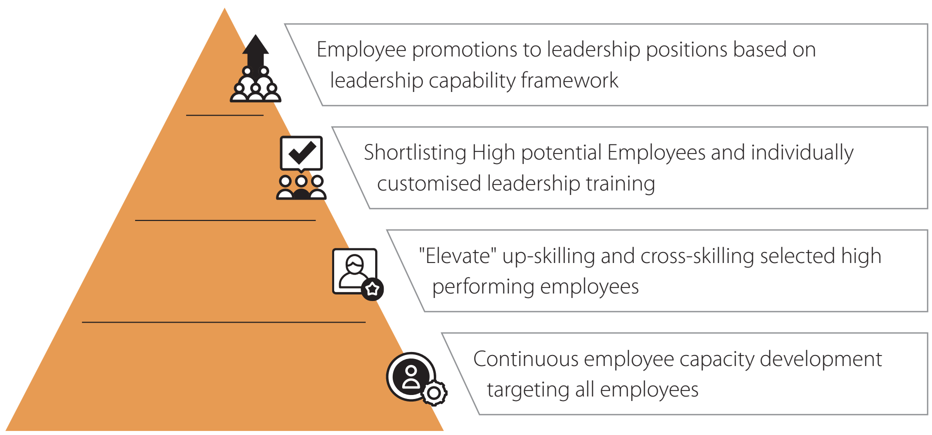
COVID-19 Pandemic Response Plan

- Personal protective equipment
- Health & safety communications
- E-learning and e-engagements
- Company sponsored quarantine facility
- Regular PCR tests
- Constant engagement from the leadership
- Work preparedness communications
- Hybrid work model

Leadership Development

DIMO's aggressive growth strategies necessitate future-ready leaders who can seize new opportunities and drive value creation. Thus, leadership development and succession planning will be a critical capital trade-off priority in the coming years. Figure 09 depicts the company's leadership development model in a nutshell.

Figure 09: DIMO's Leadership Development Model



Transparent Approach: Opportunity for all Employees

From the moment an employee joins DIMO, they are educated about the leadership development roadmap which details the path for an executive to become a general manager through the competency framework. The competency framework identifies the behaviour expected from employees at different levels in terms of their values, team building, providing direction, competitive edge, execution, strategic business orientation and inspirational leadership. The transparency of the process allows any employee the freedom to embark on their leadership development journey within the company.

'Elevate' the Designated Leadership Development Programme

'Elevate' is a dedicated leadership development programme that identifies nominees from various levels of the organisation and trains them through a comprehensive leadership development programme based on the competency framework. In addition to leadership development, the programme focuses on cross-skilling employees by allowing them to participate in a cross-functional project. In the year 2021/22, a pool of 150 nominees were chosen from five cohorts (executives, assistant managers, managers, senior managers, and deputy general managers) for this programme.

High-Potential Employees

Employees shortlisted in the 'Elevate' programme are identified as DIMO's high-potential employees. Customised leadership development programmes are designed for each high-potential employee with a view to being developed to take on leadership positions in the organisation. In year 2021/22 148 employees were shortlisted as High-potential employees.

At the end of the year, High-potential employees are put through a series of customised assessments that evaluate their leadership traits using the competency framework and performance evaluations. Employees who receive satisfactory grades are promoted to the next level of leadership positions for which they are eligible.

CAPITAL REPORT

HUMAN CAPITAL

Diversity and Inclusion

At DIMO, we offer equal opportunities in employment to all employees and applicants. The 'Equal Opportunity' clause in our Recruitment Policy clearly states, "no person shall be discriminated against employment because of race, colour, marital status, parental status, ancestry, source of income, religion, sex, age, national origin, sexual orientation, veteran status or disability or history of disability".

However, operating in an industry that is traditionally male dominated, the male to female ratio at DIMO has always remained in the range of 10:1. Although this was not an intentional outcome, DIMO realigned the business case to intentionally drive diversity within the organisation irrespective of the masculinity of our offerings. Thus began the journey towards a more diverse and inclusive working environment.

Figure 10: DIMO's Diversity and Inclusion Journey

2009
Setting up the DIMO Academy for Technical Skills in Jaffna to empower war affected youth

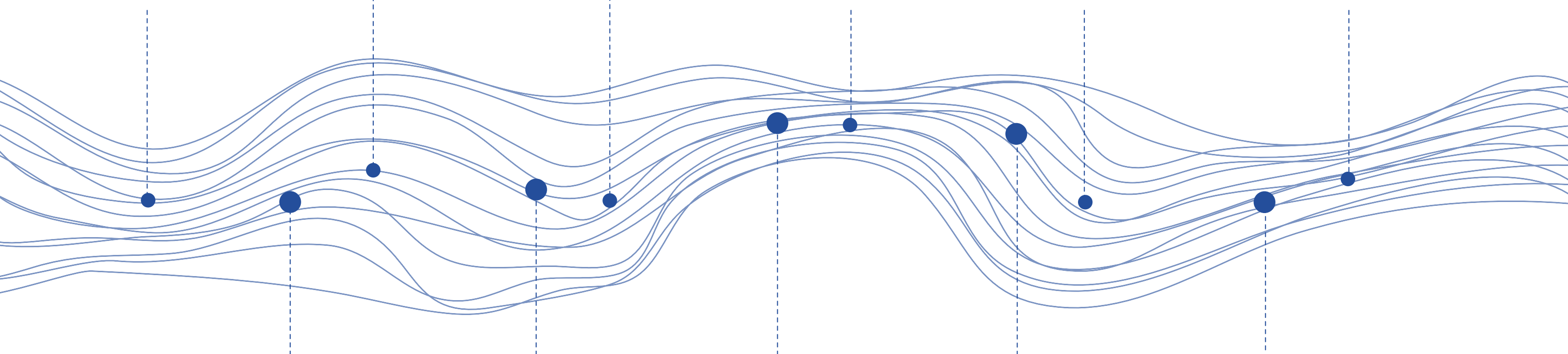
2013
Appointing women leaders as career ambassadors to inspire growth

2017
Conducting accessibility audit with the Employer's Federation of Ceylon

2018
Launching Employee Resource Group; a platform for employees to discuss on diversity related issues

2021
Launching D&I as one of DIMO's key areas under DIMO's Sustainability Agenda

2022
Setting up an anti-harassment helplines operated by an independent, impartial third party.



2013
Launching an 18-month automobile vocational education programme dedicated to female automobile enthusiasts

2017
Recruiting DIMO's first vision impaired employee

2018
Signing up with 'She Works Private Sector Partnership'

2021
Taking part in UNGC's Gender & Diversity Working Group to share best practices with other corporates

2022
Roll out company-wide unconscious bias training

Policies to promote diversity and inclusion

- Non-discrimination policy for recruitments and performance evaluations
- Policy on Social Stigma Associated with COVID-19
- Workplace anti-harassment & retaliation policy
- Parental leave policy (Maternity, Paternity & Adoption leave)

Outcomes of the diversity journey

- Recruitment of women have more than doubled from 19 in 2020/21 to 44 in 2021/22
- Increase in women in unconventional job roles from 23% in 2020/21 to 25% in 2021/22
- 18% female representation in High-Potential employee talent pool
- Increase in promotions of female employees from 16% in 2020/21 to 23% in 2021/22

The journey towards a more diverse and inclusive working environment is ongoing with continuous improvements. The table below highlights key challenges DIMO faced throughout this journey and how such challenges were overcome by implementing Group-wide strategic initiatives.

Table 06: Challenges and Action Plan in Diversity and Inclusion journey

Key challenges	Action Plan
Impact of gender stereotypes in attracting and retaining female talent	• Implementation of unconscious bias training for all managers to eliminate prejudices on gendered job roles • Implementation of diversity slate in recruitment: presentation of a slate of candidate profiles in equal composition of male and female for required job openings • Creation of a talent pipeline for women in non-conventional roles (Engineers, Auto-Technicians)
Inculcating respect and dignity at work	• Using the Employee Resource Group platform to raise awareness on respectful workplace behaviour, equality and meritocracy • Launch of the elaborate anti-harassment policy which covers workplace harassment, sexual harassment, bullying, third party harassment and retaliation • Constant dialogue around respectful work practices via emails and posters
Conscious effort towards encouraging women's career progression	• Introduction of female career ambassadors to inspire other women in the organisation to strive for progress more aggressively • Launch of 'Powerfully You', a dedicated 06 months development programme for high performing women of DIMO which focuses on empowerment, leadership and mentoring
Combating gender stereotypes in the industry	• Inspiring university students by featuring our leading ladies in forums and discussions, especially in male dominant fields such as Engineering • Working on amendments to the Sri Lankan automobile vocational education curriculum to make it more inclusive for women in partnership with the Ministry of Skills Development & Vocational Training

CAPITAL REPORT

INTELLECTUAL CAPITAL

- **Enhance customer trust**
- **Strengthen business partner relations**
- **Helps attract talent**
- **Improve future value creation ability**

The Group's store of intellectual capital is built through multiple synergies derived from over 80 years of service excellence. It is manifested in three intangible assets: knowledge base, process capital and brand reputation.

Figure 11: Intellectual Capital

Organisational Based Intangibles

Knowledge Base

Process Capital

Brand Reputation

Intellectual Capital

The knowledge base is the level of expertise and experience that has been accumulated by our employees over their service period at DIMO. Process capital is the excellence in procedures and systems through which we create value and the culture that shapes the way we create value. Our brand reputation is a reflection of our values and our differentiation strategy, which seeks differing from our competitors through technological excellence, after-care, effective customer relationship management, market presence and a strong sense of responsibility.

Investment in Agri Research and Development

DIMO Agri Techno Parks located in Kurunegala, Lenadora and Nikaweratiya with over 30 acres of land extension is equipped with facilities to conduct research in advanced seeds varieties, fertilisers and high-tech irrigation systems. These centres are used as model farms to train farmers on high tech farming techniques.

- Being recognised with the first ever Platinum Award at the CMA Integrated Reporting Award Ceremony 2021, with three other special awards

- DIMO Crowned as a Great Place to Work for 10th Consecutive year by the Great Place to work institute in 2022

Digital Transformation and Business Process Re-engineering

In line with the strategy 'Reimagination', DIMO started the much-needed digital transformation to accelerate its competitiveness in 2020. This is expected to boost DIMO's intellectual capital by streamlining processes, optimising resource utilisation, capitalising on synergies across different business verticals and most importantly, enabling exceptional customer experience. Figure 12 highlights the key focus areas of the transition. The expected go-live date of the tier-1 ERP implementation is the beginning of financial year 2023 and the complete digital transformation is expected to take another four years.

Figure 12: Capital Trade-off for Digital Transformation and Expected Medium to Long Term Outcomes

KEY CAPITAL TRADE-OFFS

Releasing over **200** employees to directly work with the digital transformation

Committing an investment of nearly Rs. **2,000** million on the five-year digital transformation project

Increasing data and analytical staff

KEY FOCUS AREAS

Group-Wide ERP

- Best practices
- Digitalise business processes
- Increase agility of decision-making

Revamp ICT Infrastructure

- Optimum/ innovative infrastructure
- Access to systems from anywhere

Application Consolidation

- Availability of integrated information

IT Business Partnering

- Drive business by responding to industry and technological changes

Customer Experience

- Integrated customer experience
- Use of data science to map customer journey

MEDIUM TO LONG TERM OUTCOMES IN CAPITALS

Monetised Capital

- In depth and accurate financial planning
- Real-time cash management
- Optimal working capital management

Human Capital

- Real-time performance evaluations allowing efficient and effective resource allocation

Social and Relationship Capital

- Customer 360 view, enhanced customer connectivity, data analytics leading to better customer insights and customisation, customer loyalty management

Intellectual Capital

- Automation, centralisation and standardisation of processes leading to efficiencies and cost optimisation

Natural Capital

- Real-time data availability

Brand Management and Governance

Brand Governance ensures consistent and compliant branding and best practices to engender trust with our customers and improve their overall experiences. The ability to promptly respond to customer feedback brings a protective element to our brand safety. In this era of mass digital transformation, brand governance is our safety net, as well as an opportunity to meaningfully engage with our customers.

Technology has changed the speed at which news of a social media crisis travels, which is why we are focusing on brand authenticity and brand governance. Brands are shaped by experience more than ever. There is so much user-generated content. We can no longer exert the same levels of control.

Reputation Management involves 3 key steps:

- Appointing the right people
- Setting up the systems and processes
- Education and empowerment

CAPITAL REPORT

INTELLECTUAL CAPITAL

At DIMO we have a 3-tier framework to manage reputation and brand governance. Every communication irrespective of type or medium flows through the Corporate Communications Division at the end, which is the single window for all group communications approvals.

All communications meant for the public are checked against

- Compliance with legal directives & regulations
- Corporate guidelines and ethics
- Principal guidelines (if any)

Figure 13: Three Tier Brand Governance

Tier 01

- Approvals for communications come from the Head of Marketing and Business Unit Head of the Division. This tier ensures that the communication is in line with the business requirement.

Tier 02

- Approvals for communications come from the Chief Marketing Officer, and relevant C-Suite levels. This tier ensures the communication is in line with strategic direction and the market positioning of the Group.

Tier 03

- Approvals come from Corporate Communications. Depending on the nature and the sensitivity of the communications Corporate Communications requests approvals from Chairman and Group CEO. This tire allows screening communications against DIMO's brand guidelines and ethical communication practices.

This 3-tier process allows us a greater screening process to ensure zero ineffective communications take place. The systems are in place to ensure that all 3-tiers have a smooth functionality and compatibility to ensure that even the highest-level communications are approved within 6 hours.

Corporate Communications are also responsible for all digital and social media assets of DIMO. Especially focusing on rogue websites with malicious intent, social media impersonations, and any online brand protection challenges that may come up.

Please refer page 104 of the risk management process for more information about risks related to reputation management.

SOCIAL AND RELATIONSHIP CAPITAL

MANAGEMENT COMMENTARY

Relationships with our customers, business partners and society at large form part of the social and relationship capital that provides inputs to the supply chain and becomes the basis for revenue generation. These relationships also provide us the social licence to operate.

CUSTOMERS

- **Form part of key stakeholders**
- **Advocates DIMO brand**
- **Strengthen future revenue streams**

Relationship building with customers for DIMO entails providing an exceptional customer experience that encourages customer loyalty, which results in retention, increased spending, and, as a result, increased advocacy, which grows revenue. DIMO's strategy 'reimagination' focuses on redefining the customer experience by transforming its Customer Relationship Management function into a state-of-the-art Customer experience function.

Figure 14: Social and Relationship Capital – Customers and Key Capital Trade-offs.

KEY CAPITAL TRADE-OFFS

- **254** dedicated customer service, marketing and sales staff
- Rs. **14,072** million investments of monetised capital on property, plant and equipment in maintaining excellent customer contact points
- Rs. **238** million worth investments in customer engagement and branding in year 2021/22 (2020/21 – Rs. 275 million)
- Dedicated 25 social media platforms with an annual investment over Rs. **35** million in Facebook, Instagram, Twitter, YouTube and LinkedIn to provide an engaging experience
- Committing an investment of nearly Rs. **2,000** million on the five-year digital transformation project that will facilitate redefining customer experience

KEY FOCUS AREAS

Customer Reach

- Branch network
- Dealer network
- Distributors
- Digital channels
- Customer experience centres

Customer Experience

- Dedicated Customer Experience Unit
- Trainings to sales and service staff
- Customer engagement events and sponsorships
- Loyalty programmes

Reliability and Responsible Behaviour

- State-of-the-art after-service centres
- Principal warranty and DIMO extended warranty
- DIMO Code of Business Conduct
- DIMO values and standards of leadership
- Certified Quality Management System

SHORT TO MEDIUM TERM OUTCOMES

Improved Customer Satisfaction and Loyalty

Group's CSI for year 2021/22 is 92% (2020/21 – 89%)

Improved Revenue, Gross Margins, and Cash Flows

22% growth in revenue in financial year

Improved Brand Equity

1,579 new customer acquisitions during the year

CAPITAL REPORT

SOCIAL AND RELATIONSHIP CAPITAL

Redefining Customer Experience

In line with DIMO's strategy 'reimagination' we have taken steps to redefine the customer experience process with a more systematic approach to manage relationships. Figure 15 elaborates the journey towards redefining our customer experience process.

Figure 15: Journey of Redefining Customer Experience

Lead & Design CX Programme

- Overall purpose of the Group
- Change of course and re-modelling
- Integrated road map
- Organisational governance and resources

Completed and continuous improvements

Transform & Digitise Customer Journeys

- Data driven prioritisation of key journeys
- Digitally enabled journeys to transform customer experience

In progress

Drive and Sustain Front-line Operations

- Measurement to build a feedback loop
- Capability building
- Continuous improvement culture
- Target setting and incentives

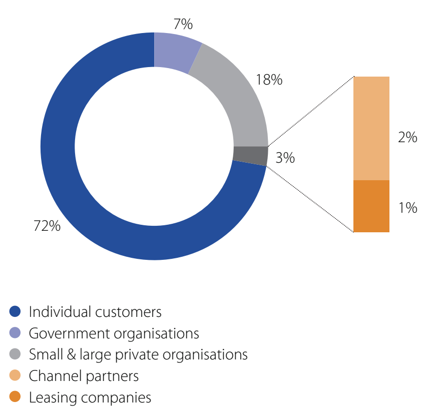
In progress

Understanding Customer Pulse

A value proposition based on our corporate purpose 'Fuelling Dreams and Aspirations' is designed to empower solid customer relations and to effectively address customer expectations. As depicted in Graph 16, DIMO's customer profile is diversified and includes broad customer categories varying from individuals to large private and government institutions. An intimate understanding of each group helps us to improve the value we create for them and thereby to strengthen relationships maintained with them.

A dedicated team of CX team conduct surveys, market research studies and meetings to understand evolving needs of customers. The method of engagement varies based on the customer category. During the year under review, we conducted over 100,000 customer interactions to identify expectations of our customers. Day-to-day interactions with customers further assist this mandate.

Graph 16:
DIMO Customer Profile



Customer Reach Through Island-Wide Branch Network

Accessibility is an important aspect of the customer value proposition, as closer proximity enhances customer convenience and helps in building relationships. It also provides the opportunity to better understand the specific customer needs of different geographical locations.

As at 31 March 2022, the Group operated 32 branches, 07 display points and 03 customer contact points. Refer page 21 of the Introduction to DIMO section for a graphical view of DIMO's customer contact points. Our reach is further enhanced by the mobile sales team.

Digital Channels to Reach Every Corner of the World

At a time when physical presence is being challenged, our digital presence facilitated constant engagement with stakeholders. DIMO's digital presence is established through 26 digital assets including 14 Facebook pages, 9 Instagram profiles, one LinkedIn page, one YouTube channel and of state-of-the-art corporate website and e-commerce platform. Each platform caters to a different segment of stakeholders and their interests, thus allowing a diverse conglomerate such as DIMO to operate successfully in the digital sphere.

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 out to us through this platform. During the year DIMO social media assets registered over 9 million engagements (2020/21 – over 4 million).

On the other hand, the dynamic DIMO website drew in 473 product inquiries via comprehensive, continuously updated product pages. The website also had nearly 750,000 totals views for the year.

The Comfort of Dependability

The comfort of dependability is extended to our customers through state-of-the-art after-service centres which facilitated claiming principal warranties and often DIMO extended warranties, and most importantly, making available much needed spare parts. Moreover, roadside assistance patrols and a mobile tyre and battery team are available to assist customers 24/7.

Capitalising the Value of Experience

The journey of experience starts with a customer's initial contact with us and extends to solving their post-sales issues. The dedicated Customer Experience team acts as the first point of contact for our customers as well as the contact point to coordinate after sale complaints. During the year under review, the team received 145 (2020/21 - 60) constructive responses from customers of which 77 (2020/21 - 32) were responded within seven days. Other more complicated responses took longer to respond to but were eventually resolved.

DIMO's digital presence is established through 26 digital assets including 14 Facebook pages, 9 Instagram profiles, one LinkedIn page, one YouTube channel and of state-of-the-art corporate website and e-commerce platform.

DIMO Digital Platforms in Action

Rs. 47 million
Sales through e-commerce platforms

569,181
Unique visitors to Corporate website

A unique visitor is a term used in marketing analytics which refers to a person who has visited the website at least once and is counted only once in the reporting time.

746,305
Page views for corporate website

A page view (or page view hit, page tracking hit) is an instance of a page being loaded (or reloaded) in a browser. Page views is a metric defined as the total number of pages viewed.

Hosting signature customer programmes is another key aspect of providing exceptional customer experience. Signature events during the year included Mercedes-Benz Golf Tournament, DIMO 'විශ්වාසයේ වාසිය' and TATA Genuine Talks Sessions amongst many others.

Customer Loyalty Programmes and other Clubs Sponsored by DIMO

Being Responsible Towards our Customers

Our quality management system, environmental management system and the social accountability management system ensure we are responsible in all we do. Customer health and safety and ethical marketing activities are two aspects that we focus on in extending responsibility towards our customers.

Maintaining Customer Experience During the Crisis

The high inflation levels prevalent in the country are affecting the buying power of our customers, while reduced supply, and the Rupee depreciation exacerbate the issue.

In line with strategy 'Reimagination' DIMO is prioritising its capital trade-off activities to ensure cost optimisation while ensuring improvements in critical capitals. These cost optimisations can serve as a cushion between cost increases due to rupee depreciation and the Group's margins, allowing us to absorb some cost increases without passing them to customers.

Our monetised capital management prioritises the allocation of available foreign currency resources to those that are critical and essential to our customers. This will enable us to ensure the availability of products identified as essential, such as agri fertilisers, medical equipment and consumables.

The digital transition which is expected to go live in 2023 will bring more efficiencies to the customer engagement process including enhanced customer experience through data. This transformation will improve customer experience at the lowest possible cost.

CAPITAL REPORT

SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

- **Provide access to world-class technology**
- **Supply key ingredients for value creation**
- **Form of key differentiations**

Internationally Renowned Brands from Across the World

With over 80 years of successful business, we have secured over 90 internationally renowned brands into our pool of resources. Our current portfolio includes 94 principals out of which 40 of them are of Asian origin and 54 from Europe and other regions of the world. The portfolio is widespread and is a key form of competitive advantage that provides us the access to internationally recognised technology. It further enhances our ability to form new relationships with global leaders.

Please refer page 21 of the introductory section of DIMO for DIMO's Foreign principals.

Providing our Customers the Access to International Brands from World Leaders

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

Managing Existing Business Partnerships

We build relationships of trust with business partners by clearly identifying their expectations, resolving conflicts, delivering expectations and maintaining transparency. At the very initiation of the relationship, the key expectations are discussed, thereby setting the ground rules for a successful relationship. The accolades we have received from our strategic business partners stand as a testimony to the Group's ability to meet business partner expectations.

TK Elevator: German Technology Innovator and a global leader in providing mobility solutions, recognised DIMO as its Best Global Distributor in year 2021

Winning the General Distributor Award by Mercedes-Benz AG, outperforming others in the region in the General Distributor Category, at the recently held Mercedes-Benz South East Asia II, Regional Award Ceremony

Forming new Business Partner Relationships

It is necessary that we form new business partner relationships in order to expand our business portfolio, especially in pursuit of our aggressive diversification strategy. However, it is important these partnerships are of mutual benefit and create a perfect strategic fit. Figure 16 elaborates our checklist for evaluating such a perfect strategic fit.

Figure 16: Formula for Perfect Partnerships

DIMO

- World-class processes and systems
- Customer reach
- Ability to invest in after-care
- Being responsible
- Meeting operational expectations

FORMING PERFECT STRATEGIC PARTNERSHIPS

Potential Partners

- Agrees to the DIMO code of conduct
- Access to advanced technology
- Ability to further R&D and customise to Sri Lankan context
- Sustainable business conduct

TK Elevator recognise DIMO as its best global distributor in year 2021

CAPITAL DISCLOSURES IN OTHER SECTIONS OF THE REPORT

Social and Relationship Capital: Community

The community and society at large are of paramount importance to any company as they provide its social licence to operate, and as customers contribute to its human and relationship capitals. At DIMO, the primary responsibility of managing relationships with the community is bestowed upon the sustainability team who works with different divisions of the Group to ensure the maintenance of healthy and mutually beneficial relationships with this important stakeholder. Since the community is an important element of DIMO's sustainability strategy, more disclosures about this capital are provided under the section titled 'Statement of ESG performance' presented from page 110 to 122, to avoid repetition in the annual report.

Natural Capital

Natural resources that we draw out from non-renewable sources are included in this important capital. Managing natural capital is embedded in day to day operations through DIMO's Environmental Management System. A dedicated sustainability team is there to ensure contentious improvements and the compliance team ensures that daily operations are in compliance with the EMS. Since the environment is an important element of DIMO's sustainability strategy, more disclosures about this capital are provided under the section named 'Statement of ESG performance' presented from page 121 to 122, to avoid repetition in the annual report.

Please refer page 110 to 121 of the ESG Statement where more information about the community and the natural capital is disclosed

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BUSINESS REPORTS

VEHICLE SALES

Business of selling luxury motor vehicles, passenger and commercial vehicles.

Industry Overview and Business at a Glance

The ongoing limits on vehicle imports posed a constant challenge to industry players, forcing them to seek new opportunities. In 2021/22, DIMO vehicle sales segment made a segment result of Rs. 189 million. This was primarily attributable to changing the business model to sales of pre-owned vehicles.

DIMO Certified Pre-owned Vehicles

DIMO Certified pre-owned vehicles', is the product for certified pre-owned franchised and non-franchised vehicles. The DIMO Certified pre-owned vehicles are reliable as it's backed by DIMO, pioneers of the automobile industry in Sri Lanka with an unparalleled history of over 80 years. Existing owners who have purchased and maintained their vehicles through DIMO can upgrade their vehicle for a brand-new or used luxury vehicle within the portfolio. Existing owners of other brand vehicles also can trade in their vehicle for a brand-new or used luxury vehicle within the portfolio. Any customer who owns a luxury vehicle can sell their vehicle directly to DIMO even if they're not to make a purchase from DIMO. Any customer can directly purchase a used luxury vehicle within the portfolio.

Our product portfolio
- Sale of brand-new vehicles, special purpose vehicles and pre-owned vehicles

Our customer base
- Individual customers, fleet owners, institutional customers

Our market position as at year end
- Market share of prime movers used for freight forwarding purpose is 73%
- Market share of medium and heavy commercial vehicles is 31%

Key highlights of our intellectual capital, innovation/ launches
- Invested in a vehicle assembly plant with capacity to assemble 900 DIMO Batta per year

Our human capital
- 56 employees
- Rs. 258 million total benefits paid to employees
- Segment employee engagement 4.36

Our social and relationship capital
- Acquired 98 passenger stream and 34 commercial stream new customers during the year

Sustainability impact
- DIMO represents vehicles from world-renowned brands, which are customised to Sri Lankan roads and available fuel types, which ensures optimal fuel efficiency

The DIMO Certified pre-owned vehicles are reliable as it's backed by DIMO, pioneers of automobile industry in Sri Lanka with an unparalleled history of over 80 years.

Segment Revenue

Rs.5,484 million

In 2020/21: Rs.6,439 million

Segment Results

Rs.189 million

In 2020/21: Rs. 340 million

Segment CSI

96%

In 2020/21: 93%

Segment Outlook

We anticipate demand side uncertainties due to short-term shortage in fuel. Cost optimisation is thus mandatory in short-term to create a healthy buffer for losses that might generate from curtailed imports and demand. However, we anticipate fuel shortages to be normalised within a few months in the short-term.

The ban on vehicles imports is expected to continue in the medium-term. The segment will thus focus on continuing the business of retailing pre-owned vehicles with enhanced value while coupling services from the DIMO after-service business. Focus will also be on expanding the vehicle assembly plant to increase its capacity.

Table 07: Performance Highlights

KPI	2021/22	2020/21	2019/20	2018/19	2017/18
Revenue (Rs. million)	**5,484**	6,439	13,783	20,318	26,497
Contribution to the group's revenue (%)	**15**	21	40	53	61
Segment results (Rs. million)	**189**	340	659	968	1365
Contribution to the group's segment results (%)	**3**	11	22	31	42
Customer Satisfaction Index (%)	**96**	93	91	91	90
Carbon emission (tCO_2e) to generate one-million-rupee turnover	**0.14**	0.09	0.11	0.09	0.08
Water consumption (m^3) to generate one-million-rupee turnover	**0.97**	1.44	1.31	1.36	0.91
Energy consumption (GJ) to generate one-million-rupee turnover	**1.42**	1.11	1.19	0.98	0.76

BUSINESS REPORTS

AFTER SALE SERVICES

Vehicle maintenance solutions provider for all the brands that we represent as well as other non-franchise brands.

Industry Overview and Business at a Glance

Due to the country's mobility restrictions, both public and private transportation in Sri Lanka operated with restricted service in 2021/22, with private transportation taking precedence. Despite the expansion of road networks around the country to decrease mobility time, vehicle movements slowed towards the end of the year due to fuel scarcity and rising prices.

Despite the lost working days owing to COVID-19 consequences, the business' primary goal was to maintain and improve service standards throughout the year.

Awards & Recognition

Winning the General Distributor Award by Mercedes-Benz AG, outperforming others in the region in the General Distributor Category, at the recently held Mercedes-Benz South East Asia II, Regional Award Ceremony.

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

Our customer base
- Individual customers, fleet owners, institutional customers

Our market position as at year end
- Market share of luxury passenger vehicle service 0 – 8 years old segment exceeded 90%, while other categories improved in terms of market share
- Commercial vehicle market share was at 37%

Key highlights of our intellectual capital, innovation/ launches
- Invested in R&D for new Di-tech water pump assembly plant which covers farming and submersible pump range. 80% of the expected sales will be assembled in-house.
- All workshops use state-of-the-art technology recommended by world-renowned principals along with well-trained workshop staff

Our monetised capital
- Investment in vehicle detailing studio exclusively for Mercedes-Benz vehicles
- Anuradhapura accident repair workshop upgrade with an investment of Rs. 6 million
- Enhancement of luxury courtesy vehicle fleet by adding three new vehicles

Our human capital
- 592 number of total employees
- Rs. 587 million total benefits paid to employees
- Segment Employee Engagement Score 4.28

Our social and relationship capital
- Over 6700 new customer acquisitions during the year including commercial vehicle lapsed customers who were re-attracted

Sustainability impact
- Increasing the lifetime of vehicles and contributing to circular economy
- Ensuring fuel efficiency and emission rates of vehicles are kept at standard levels

The key focus for 2022/23 will be to provide undisrupted operations for all the brands that DIMO represents in its after-service segments. A skilled and trained labour pipeline is being created through DIMO Academy for Technical Skills (DATS) to solve shortage in skilled labour in medium term.

Segment Revenue

Rs.6,220 million

In 2020/21: Rs. 4,889 million

Segment Results

Rs.1,583 million

In 2020/21: Rs. 964 million

Segment CSI

87%

In 2020/21: 89%

Segment Outlook

The rupee depreciation and curtailed economic activities have led to significant price increases in parts and labour. This, together with low vehicle usage due to fuel shortages are expected to reduce demand for vehicle after-services in the short-term. Moreover, the economic crisis has expedited skilled worker migration due to which a skilled worker shortage is also expected in medium-term.

The segment will focus on creating differentiated offerings for price sensitive customers while maintaining delivery levels. Cost optimisation is also prioritised to secure profits against reductions in demand. The key focus for 2022/23 will be to provide undisrupted operations for all the brands that DIMO represents in its after-service segments. A skilled and trained labour pipeline is being created through DIMO Academy for Technical Skills (DATS) to address shortage in skilled labour in medium-term.

Table 08: Performance Highlights

KPI	2021/22	2020/21	2019/20	2018/19	2017/18
Revenue (Rs. million)	**6,220**	4,889	4,648	4,245	3,883
Contribution to the group's revenue (%)	**17**	16	13	11	9
Segment results (Rs. million)	**1,583**	964	867	806	724
Contribution to the group's segment results (%)	**29**	31	30	26	23
Customer Satisfaction Index (%)	**87**	89	87	85	88
Carbon emission (tCO_2e) to generate one-million-rupee turnover	**0.23**	0.27	0.39	0.5	0.55
Water consumption (m^3) to generate one-million-rupee turnover	**9.25**	7.01	11	13.93	12.67
Energy consumption (GJ) to generate one-million-rupee turnover	**2.03**	2.68	3.58	4.45	5.18

BUSINESS REPORTS

RETAIL

Offers a wide array of everyday products and solutions, ranging from home and kitchen, lighting and electrical, gardening, power tools, hand tools, DIYs, tyres, and automotive accessories.

Industry Overview and Business at a Glance

In 2021 Sri Lanka's wholesale and retail trade activities grew at a moderate rate of 2% in value added terms, compared to the 1.4% increase in the previous year. This was due to the relaxed mobility restrictions and policy stimulus measures taken to encourage economic activities.

Despite import restrictions on certain goods, DIMO was able to meet the challenges that arose in the second half of the year, resulting in positive financial results by the end of the fourth quarter. However, economic volatility, including rupee depreciation, had an impact on the business, as it did on all segments of the group.

The segment recorded a Rs. 1,015 million result, while contributing 19% to the Group results. WD40, Rane, DIMO Lumin switches and sockets, Black & Decker household appliances, Di-tech were among the brands that made large contributions during 2021/22. The rising demand for white goods after the lockdown was also another contributory factor to the positive results of the segment.

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

Our customer base
- Individuals, dealers and distributors

Our market position as at year end
- Michelin is the market leader in the premium passenger car tyre segment
- Rane is the market leader for brake liners and brake pads

Key highlights of our intellectual capital, innovation/ launches
- Launch of 'Camso' tyre brand – A tyre made in Sri Lanka catering to the off-road tyre segment, Camso is a leading manufacturer brand in the segment
- Launch of locally manufactured Monterex two wheeler and three wheeler tyre brand
- Further streamlined the S&OP process to enhance the efficiency of stock availability and trade investments

Our monetised capital
- Investments in total assets Rs. 362 million including two customer experience centres in Nawala and Negombo

Our human capital
- 230 employees
- Rs. 544 million total employee benefits
- Segment Employee Engagement Score 4.10

Our social and relationship capital
- 631 total new customers, dealers and distributors acquired in the year

Sustainability impact
- Promoting energy efficiency through DIMO Lumin bulbs range and other internationally recognised energy efficient tools and equipment

A key medium to long term focus will be a brand-new business model called 'Concept Store', a segment we plan to expand to, that would offer Sri Lankan consumers a brand new experience in retail.

Segment Revenue

Rs.6,112 million

In 2020/21: Rs. 4,598 million

Segment Results

Rs.1,015 million

In 2020/21: Rs. 460 million

Segment CSI

90%

In 2020/21: 86%

Segment Outlook

The economic crisis and the prevailing inflation are expected to curtail demand for products sold by the segment in short-term. The focus of the segment in short-term thus will be on working capital management including realigning credit terms. We expect customers to be price sensitive thus focus will be on stocks that caters to the price sensitive customers. Partnerships with local suppliers and local assembly of products are few focus areas which will facilitate the segment to succeed during the crisis.

Furthermore, a key medium to long term focus will be a brand-new business model called 'Concept Store', a segment we plan to expand that would offer Sri Lankan consumers a brand new experience in retail.

Table 09: Performance Highlights

KPI	2021/22	2020/21	2019/20	2018/19	2017/18
Revenue (Rs. million)	**6,112**	4,598	5,077	4,406	4,716
Contribution to the group's revenue (%)	**16**	15	15	12	11
Segment results (Rs. million)	**1,015**	460	486	379	407
Contribution to the group's segment results (%)	**19**	15	16	12	13
Customer Satisfaction Index (%)	**90**	86	87	84	74
Carbon emission (tCO_2e) to generate one-million-rupee turnover	**0.13**	0.18	0.18	0.33	0.23
Water consumption (m^3) to generate one-million-rupee turnover	**0.58**	0.81	0.92	0.97	0.7
Energy consumption (GJ) to generate one-million-rupee turnover	**1.42**	1.90	2.05	2.63	2.48

BUSINESS REPORTS

CONSTRUCTION AND LOGISTICAL SOLUTIONS

Sale and service of earth moving machinery, road construction machinery, forklifts, racking systems, cranes, pumps, compressors, warehousing solutions, and equipment and car parking solutions.

Industry Overview and Business at a Glance

Despite labour shortages and import limitations on construction materials, the government has continued to expand the road network in order to shorten travel times between urban and rural areas. Even though projects faced slowdowns and delays in progress, the RDA spent Rs. 200 billion during the year on tasks such as maintenance, development of expressways and motorways, road widening, and bridge construction. This context paved the way for the DIMO infrastructure engineering segment to flourish in 2021/22.

The aforementioned expansion resulted in growth of industries such as the stone quarry industry, which had a pull effect on our businesses. Despite many project delays, DIMO was able to maintain growth in construction machinery sales, and thereby spares and services.

Awards & Recognition

Recognised at Komotsu Asia Pacific Dealer Conference 2021/22 - as the only South Asian country to sell hybrid excavators

Our product portfolio

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

Our customer base

- Our customer base comprises of government institutions and private contractors. These include the Irrigation Department, Road Development Authority (RDA), road contractors and rental companies.

Our market position as at year end

- 30% stake of the market in earth moving and compaction equipment
- 74% market share in other industrial solution businesses

Key highlights of our intellectual capital, innovation/ launches

- Komatsu PC210-10-M0 excavator launch - The hybrid machine has a 40% increased productivity, smart and easy maintenance with a 25% saving on fuel.
- Kalmar double container handler launch – The product has the capacity to lift two empty containers at once, which increases productivity leading to cost savings

Our monetised capital

- Total of Rs. 1,455 million investment in monetised assets including Rs.105 million in rental fleet

Our Human capital

- 100 employees dedicated to the segment
- Rs. 214 million of total benefit paid to employees
- Segment Employee Engagement Index 4.5

Our social and relationship capital

- 114 new customers acquired during the year
- Formed strategic partnership with a renowned international supplier during the year

Sustainability impact

- Sales of over 40 hybrid excavators, which are 40% fuel efficient compared to mainstream excavators

With customers becoming more price sensitive and interest rates skyrocketing, we believe low-cost alternatives such as rental fleets rather than sale of construction machinery will have relatively high demand in the short term.

Segment Revenue

Rs.3,708 million

In 2020/21: Rs. 1,943 million

Segment Results

Rs.618 million

In 2020/21: Rs. 303 million

Segment CSI

91%

In 2020/21: 90%

Segment Outlook

Sri Lanka's economic crisis combined with foreign currency shortage have hampered its recovery from COVID impacts and these problems continue to have a substantial impact on the segment. Construction activity has stalled due to fuel shortages and other economic difficulties. Furthermore, some equipment owners are frequently postponing service cycles, affecting the demand for after sale services. The segment had a significant foreign currency loss impacting the cluster's performance. The year 2022/23 will be challenging for the construction machinery service industry given the forecast of a significant decline in machine usage and rising parts prices.

The segment is continuously looking for avenues to overcome the economic crisis. The introduction of the rental construction machinery fleet is one such initiative which is expected to partially cover the loss arising from machinery sales. With customers becoming more price sensitive and interest rates skyrocketing, we believe such a low-cost option will have relatively high demand in the short-term.

Table 10: Performance Highlights

KPI	2021/22	2020/21	2019/20	2018/19	2017/18
Revenue (Rs. million)	**3,708**	1,943	1,607	1,984	2,671
Contribution to the group's revenue (%)	**10**	6	5	5	6
Segment results (Rs. million)	**618**	303	250	263	335
Contribution to the group's segment results (%)	**11**	10	9	9	10
Customer Satisfaction Index (%)	**91**	90	91	91	92
Carbon emission (tCO_2e) to generate one-million-rupee turnover	**0.07**	0.10	0.29	0.25	0.18
Water consumption (m^3) to generate one-million-rupee turnover	**2.27**	2.32	3.49	3.49	2.47
Energy consumption (GJ) to generate one-million-rupee turnover	**0.62**	1.20	2.92	5.52	4.38

BUSINESS REPORTS

AGRICULTURE

Inspiring and enriching the lives of those who produce and consume food both locally and globally via next generation agriculture solutions.

Industry Overview and Business at a Glance

The nation's agricultural activities rose by 2% in terms of value-added products in 2021; nevertheless, lack of nutrients and agrochemicals due to government restrictions curtailed the sector from realising its full potential, particularly during the second half of the year. However, the paddy industry was an exception, reaping a bumper harvest in the 2021 Yala season for the second year in a row. The government also established initiatives to import natural organic fertiliser while laboratory facilities were made available to ensure the quality of compost fertilisers to offset the detrimental impacts of the prohibitions on chemical fertiliser.

DIMO agribusiness is one of DIMO's predominant segments, excelling within a very short period of time. Since its formation, the success factor of the segment was the strategies of differentiation adopted by it. Providing customised advisory services to the farmers was one such differentiation strategy. The agri machinery businesses contributed to the segment substantially as the conditions were favourable until the end of the 3rd quarter.

The import restrictions on chemical fertiliser made the year an extraordinarily challenging one for farmers as well as industry players; however, DIMO acted with resilience and managed to survive and thrive in the market, using its expertise to provide advisory solutions to help farmers to bounce back.

Our product portfolio

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

Our customer base

- Local farmers, corporates, government and individuals

Our market position as at year end

- DIMO is among the top three suppliers in the industry in terms of fertiliser, crop care, seeds and chemicals
- Agri machinery and equipment controls 18% of the market, while maintaining second place in the industry

Key highlights of our intellectual capital, innovation/launches

- Invested in three state-of-the-art agri tech parks where R&D is conducted for advanced seeds, fertiliser and irrigation systems
- Launch of Sri Lanka's first boat tractor which is ideal for operations in deep puddling
- Launch of Sri Lanka's first DMT20 mini transplanter with the recommended row width for Sri Lanka

Our monetised capital

- Enhanced the organic fertiliser machinery equipment range to adopt latest technology with an investment of Rs. 19 million

Our human capital

- Rs. 321 million total benefits paid to employees
- Segment Employee Engagement Index 4.02

Our social and relationship capital

- Collaborative new partnerships with professionals i.e university professors/experts at Department of Agriculture
- Close interactions with farmers island-wide

Sustainability impact

- Being part of the agriculture value chain by contributing to UNGC Sustainability Development Goals number 2; Zero Hunger

Importation of agri products is expected to receive priority when allocating foreign exchange for imports. New organic product ranges launched during the year is also expected to narrow any gap that may occur in fertiliser shortages.

Segment Revenue

Rs.9,804 million

In 2020/21: Rs. 7,565 million

Segment Results

Rs.1,992 million

In 2020/21: Rs. 599 million

Segment CSI

89%

In 2020/21: 88%

Segment Outlook

Though the government has now relaxed its restrictions on chemical fertiliser and pesticide, the prevalent foreign currency shortage is expected to curtail product availability. However, given the essential nature of agri products, the importation of agri products required for food production will be prioritised when allocating available foreign currency to the Group. New organic product ranges launched during the year is also expected to bridge any gap that may occur in fertiliser shortages.

In line with DIMO's strategy 'reimagination' the Group has already committed acquiring two companies that engages in value added agri products. Medium-term target of the segment thus will be on growing these products ranges to generate revenue beyond Sri Lanka.

Table 11: Performance Highlights

KPI	2021/22	2020/21	2019/20	2018/19	2017/18
Revenue (Rs. million)	**9,804**	7,565	3,532	4,153	3,316
Contribution to the group's revenue (%)	**26**	25	10	11	8
Segment results (Rs. million)	**1,992**	599	124	307	121
Contribution to the group's segment results (%)	**36**	19	4	10	4
Customer Satisfaction Index (%)	**89**	88	85	84	84
Carbon emission (tCO_2e) to generate one-million-rupee turnover	**0.08**	0.12	0.18	0.25	0.20
Water consumption (m^3) to generate one-million-rupee turnover	**2.00**	4.20	0.44	1.53	1.42
Energy consumption (GJ) to generate one-million-rupee turnover	**0.94**	1.44	1.58	3.45	2.31

BUSINESS REPORTS

ENGINEERING SOLUTIONS

This is one of DIMO's high in technology segments that provides state of the art engineering solutions including renewable energy, medical, fluid, and building management systems within and beyond Sri Lanka

Industry Overview and Business at a Glance

In 2021, the restored demand for real estate and housing as well as the resumption of projects reflected an increase of 1.9% in the sector. But the raw material shortage in the country prevented the complete recovery from COVID consequences. During the year, the government significantly invested in water projects. Higher expenditure on account of medical and pharmaceutical items was also a highlight in the year.

The segment reported a result of Rs. 74 million, which is a decrease from last year by 82%. Key reasons for this were the abrupt price escalations in raw materials and inability to cater to orders due to import restrictions. The main contributory businesses in the segment were Building Technologies and Medical Businesses. Among the highlights for the year were a water supply and sanitation improvement project and upgraded facilities at the Ambathale energy conservation project, which is the largest order for water pumps that our partner KSB, Germany has received from Sri Lanka.

Our product portfolio

- Sale & After-care of Medical Equipment, Power Transmission & Distribution Systems, Renewable Energy, Marine Engineering Solutions, Building Services and Fluid Management Systems

Our customer base

- Government and corporate customers, CEB, construction companies and contractors, Water Supplies & Drainage Board Sri Lanka

Our market position as at year end

- Market leader in the ophthalmic and non-ophthalmic microscope representing M/S Carl Zeiss Meditech AG
- Siemens, our partner, is the leader in grid sub-stations in Sri Lanka

Key highlights of our intellectual capital, innovation/ launches

- Successful completion of Sri Lanka's first grid-tied renewable energy microgrid project at University of Moratuwa
- Installation of Carl Zeiss Tivato 700 machine at General Hospital Kandy with high magnification to perform minimal invasive plastic surgeries – first of its kind in Sri Lanka

Our monetised capital

- Procurement of cable fault locator to enhance the efficiency of repair to revive power back to system
- Total investment in assets Rs. 8,180 million

Our Human capital

- 361 employees out of which 111 are qualified engineers
- Rs. 470 million total benefits to employees
- Segment Employee Engagement Score 4.15

Our social and relationship capital

- 20 plus new customers including Maldives and Sri Lanka aviation services

Sustainability Impact

- The Segment is one of the key contributors to DIMO's sustainable product portfolio with its renewable energy segment, medical equipment and other energy efficient building and lighting technologies. The Segment directly contributes to SDG 07: Affordable and Clean Energy

Focus for the next year will thus be on executing projects that are already secured. Negotiation of price increases for costs escalation too remains a priority.

Segment Revenue

Rs.6,179 million

In 2020/21: Rs. 5,386 million

Segment Results

Rs.74 million

In 2020/21: Rs. 407 million

Segment CSI

97%

In 2020/21: 89%

Awards & Recognition

Trilux Global business partner award for lighting solutions

TK Elevator: German Technology Innovator and a global leader in providing mobility solutions, recognised DIMO as its Best Global Distributor

Awarded CIDA C1 graded contractor for waste water projects

Segment Outlook

The country's prevailing economic crisis is expected to curtail government expenditure in infrastructure. Focus for the next year will thus be on executing projects that are already secured. Negotiation of price increases for costs escalation too remains a priority. Moreover, focus will be on local sourcing options and capitalising on local value addition to reduce dependency on imports. The segment also wishes to expand into related sectors in the respective domains and is working closely with potential partners.

Table 12: Performance Highlights

KPI	2021/22	2020/21	2019/20	2018/19	2017/18
Revenue (Rs. million)	**6,179**	5,386	5,911	3,196	2,603
Contribution to the group's revenue (%)	**16**	17	17	8	6
Segment results (Rs. million)	**74**	407	546	366	261
Contribution to the group's segment results (%)	**1**	13	19	12	8
Customer Satisfaction Index (%)	**97**	89	98	98	94
Carbon emission (tCO_2e) to generate one-million-rupee turnover	**0.01**	0.08	0.1	0.18	0.17
Water consumption (m^3) to generate one-million-rupee turnover	**0.23**	0.27	0.41	1.78	1.91
Energy consumption (GJ) to generate one-million-rupee turnover	**1.22**	0.91	1.09	2.00	1.94

DIMO SUSTAINABILITY AGENDA 2030

We understand that being sustainable isn't just about managing negative impacts from the business operations; we must instead integrate sustainability into our business model.

The world has only eight years to achieve the UN's Sustainable Development Goals. As a responsible corporate, DIMO has embarked on the strategy 'Reimagination' as part of which, we have undertaken a brand-new sustainability agenda 'DIMO Sustainability Agenda 2030'.

Please refer page 34 to 39 for the Strategy Section where DIMO's strategy "Reimagination" is detailed out.

DIMO Sustainability Agenda 2030 identifies the focus areas for the company for the next eight years. It is the pathway that we have chosen to determine stability, to overcome challenges and to institute sustainable mechanisms in resource deployment and managing employees. This journey will see us diversify our workforce, diversify our products and services, and create a resilient community to build back a country full of potential and opportunities.

Figure 17: DIMO Sustainability Agenda 2030

FUELLING DREAMS & ASPIRATIONS RESPONSIBLY

Being a Resilient Business	Building a Resilient Community	Conserving a Living Planet
• Sustainable entrepreneurship & innovative product design • Ethical business conduct • Sourcing & circularity	• Meaningful employment through diversity • A thriving community through partnerships	• A conscious footprint to minimise impact • Restore & enhance

Employee Engagement

Governance

Based on DIMO's Purpose "Fuelling Dreams and Aspirations"

DIMO exists to "Fuel Dreams and Aspirations." This purpose necessitates that we create value for our stakeholders while creating value for our shareholders. The purpose encapsulates DIMO's pursuit of inclusive growth, where all material stakeholders thrive in the long run. We recognise that without sustainable development, this goal will be futile. Therefore, sustainable development through the right ESG strategies is at the heart of DIMO's corporate strategy.

Enriched by our Values

Our values are at the heart of DIMO's sustainability journey. We have thus taken leadership in integrating sustainability into our business model. We encourage employees to behave with integrity and accountability, thereby ensuring that we take accountability for the negative impacts we make on the environment and society. Employee's behaviours are aligned to the values through the Group-wide Environmental Management System and the Quality Management System.

Please refer page 20 to 21 for DIMO's corporate values

A Governance Structure to Drive Performance

The Board of Directors is ultimately responsible for directing the company to play its part in achieving broader sustainability goals by managing its business operations responsibly or integrating sustainable products and services into its product portfolio. It also has the responsibility of ensuring that the material issues of DIMO's key stakeholders are managed in a timely manner.

The Board has delegated this important endeavour to the Sustainability Committee, chaired by the Group Chairman and consisting of the Group Chief Executive Officer, Chief Financial Officer, Chief Human Resource Officer and the Chief Marketing Officer. The Sustainability Committee meets every quarter and more frequently if there are urgent matters to be discussed. The Group Sustainability team holds responsibility to coordinate Committee meetings and to report the progress of key action plans to the committee.

Please refer page 84 to 99 for the Governance report of the Group

We encourage employees to behave with integrity and accountability, thereby ensuring that we take accountability for the negative impacts we make on the environment and society. Employee's behaviours are aligned to the values through the Group-wide Environmental Management System and the Quality Management System.

Since sustainability is not the responsibility of a single division, various functional heads also take part in the sustainability governance process. Figure 18 elaborates the different teams that form part of the Group sustainability governance process.

Management system is a key tool the Board has deployed to ensure that environmental and social impacts of daily operations are managed proactively across the Group. Refer page 110 of the Statement of ESG Performance for more information about key management systems deployed by the Board and their management aspects.

Figure 18: Sustainability Governance Structure

Board Accountability & Executive Leadership

- Sustainability Steering Committee

Cross Functional Leadership

- Corporate sustainability team

Cross Functional Working Group

- Sustainability team
- Human resources team
- Compliance team
- Corporate communications team
- Maintenance & engineering teams
- Business units
- DIMO nature club

Management Systems

- Environmental management system
- Quality management system
- Social accountability management system
- Health and safety management system

Agenda 2030 in Detail

Table 13 summarises how the Group is planning to bring the "Agenda 2030" to a reality.

Table 13: Sustainability Agenda in Detail

Pillars	Key Area	Target and Measurement	Status
Transform Business	Ethical business conduct	Implementing internationally recognised practices through certified management systems and complying with regulations	Management systems for quality, environment, health and safety, social accountability and GHG emissions. Refer page 110 to 122 of the Statement of ESG Performance for more information about our responsible business practices.
	Sourcing and circularity	Being part of circular economy by expanding after sale services and disposal mechanisms for goods sold by the company	After sales service and warranty facilities are available for all products sold by the Group.
	Sustainable Products & Services	Integrate products and services that provide solutions to broader sustainability issues	Currently DIMO's sustainable businesses include revenue generated from agri, medical, energy, education and water operations. These businesses currently contribute to 27% of DIMO's revenue. Refer page 64 to 75 of the segment report for more information about the sustainable impact of our business.

DIMO SUSTAINABILITY AGENDA 2030

Pillars	Key Area	Target and Measurement	Status
Unleash Human Potential	Employees	Attract, develop and retain an increasingly diverse, engaged and healthy workforce	Refer page 52 to 55 for more information about DIMO's employee practices and disclosures about diversity and inclusion.
	Community	Voluntary investments for community development in areas of: • Women empowerment • Agriculture • Road safety • Vocational education	DIMO's investments in two state-of-the-art vocational education centres: DATs in Colombo and Jaffna have so far produced over 550 of graduates in automobile engineering. Partnering with Sri Lanka Police to conduct focus training for traffic police teams, so that they may better engage with the public to maintain road safety
Minimise Environmental Footprint	Energy & Emission	Implementing GHG emission management system across the Group and setting up Science Based Targets Initiative (SBTi) to pursue aggressive targets	Refer page 110 to 122 of the Statement of ESG performance for more information about DIMO's emission related management approach and disclosures.
	Waste	Achieving the status of zero landfill by eliminating waste to landfill or incineration, while continuing to reduce overall waste	Refer page 110 to 122 of the Statement of ESG performance for more information about DIMO's waste related management approach and disclosures.
	Water	Innovate and adopt new approaches to reduce water use	Refer page 110 to 122 of the Statement of ESG performance for more information about DIMO's water related management approach and disclosures.
	Biodiversity	Restore and enhance lost diversity. Achieve 1:1 biodiversity restoration	Voluntary investments DIMO has done to restore lost biodiversity due to our operation are disclosed in page 81 to 82 in this report.

Section below details out a few important areas where DIMO has made a significant impact in line with DIMO's Sustainability Agenda 2030.

Few Key Business Solutions with Sustainable Impact

Fully Operational Microgrid System

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

Sri Lanka's first comprehensive grid-tied renewable energy microgrid project was successfully completed recently at the University of Moratuwa (UOM). It is a well-equipped system that ensures an uninterrupted power supply for local industries. The UOM microgrid system supplied uninterrupted power supply during the power cuts experienced in the country. The implementation partners of the project are Lanka Electricity Company (LECO) and Asian Development Bank (ADB), which provided financial aid. The renewable energy solution provider was German off-grid experts DHYBRID. The project connects stand-alone grids to ensure an uninterrupted, renewable power supply throughout the distribution area at any given time. The completed system consists of 375 kW of solar PV, 418 kWh of battery storage, and a 1170kVA backup diesel generator. With this project UOM can generate power for its entire premises without depending on the national power supply.


Developing the Organic Belt & Farmer Empowering Programmes – Agri Business

70% of Sri Lankans live in rural areas; of these, a majority are agriculture-dependant farmers. DIMO is committed to partner and empower our farmers, with a special focus on enabling them to improve their productivity.

DIMO Agri Business has recently ventured into biological fertiliser and biological crop protection, exploring the possibility of organic fertiliser and hybrid seed development with the Department of Agriculture.

For years, farmers have been implored to reduce the volume of chemical usage by adding only the amounts necessary. Various methodologies have been used over time to educate and demonstrate how to cultivate successfully by using correct balances and protocols to achieve desired productivity levels, without wasting inputs and polluting our soil. At DIMO Agri Techno Parks, we display how farmers can reap the maximum of their inputs.

Similarly, we have empowered the female farming community by introducing silage - the cultivation of fodder for animal husbandry. This has proven to have a positive impact on improving household income.


Water Projects

The Comprehensive Investment & Master Plan for the water supply and sanitation sector issued by National Water Supply & Drainage Board (NWSDB) states that over 50% of Sri Lankans are provided with pipe-borne water. Given its extensive experience in the domain and its growing number of successful water projects, DIMO believes that there are ample opportunities to undertake water projects of any scale to help the government achieve its national development objectives.

Today, DIMO is a highly-reliable contractor that successfully executes total water projects on turnkey basis for the NWSDB by means of contributing to enhance the technology in the areas of water transmission, water treatment, water distribution, autonomation and many others. DIMO has tapped into its expertise while collaborating with principals such as KSB to provide the best energy efficient technology to get the desired outcome through low energy consumption. This has resulted in significant savings in terms of energy usage during the long-term operations of these water projects, thereby reducing the financial burden to the nation. Ambathale Energy Conservation project, the latest and the largest Energy Conservation project of NWSDB, is one of the examples for such ground-breaking initiatives.

DIMO has also been involved in executing many rural water supply schemes executed by Water Supply and Sanitation Improved Project (WASSIP) in Orubandiwewa, Galigamuwa, Kilinochchi, Nikawewa, Bulathkohupitiya, Hangliella and Maskeliya.

DIMO SUSTAINABILITY AGENDA 2030

Key Social Projects

DATS - DIMO Automobile Training School

DIMO has always recognised the need to impart quality technical training to our customers, dealers, and staff as we believe the success of a company lies in the skill and competence of its people.

Our training programmes at fully-equipped modern training centres in Weliweriya and Jaffna are of the highest calibre.

Our Automobile Mechatronics courses are conducted in conjunction with Daimler AG, the principal of Mercedes Benz – a global pioneer in automobiles.

DATS courses are accredited by the Tertiary and Vocational Education Commission of Sri Lanka as NVQ level IV and V. DATS is also accredited by the German Chamber of Industry and Commerce AHK and is the only dual vocational training partner to offer category A certified VET courses in Sri Lanka.

1990
DATS was the first and largest of its kind in the private sector, offering automotive technological education as a social service to Sri Lankans.

1990
Moved to Siyambalape, the largest and most advanced commercial vehicle repair and service centre on the island.

2010
In celebration of it's 20th anniversary, DATS opened a new branch in the liberated war-torn area of Jaffna.

2016
DATS moved to its present location in Weliweriya, expanding and developing the training facilities to meet the rapidly changing automotive industry.

2018
DATS was accredited by the German Chamber of commerce to offer dual vocational training according to German VET standards. An industry first in Sri Lanka.

Expanding Educational Footprint

DATS now offers a world class vocational qualification in modern building services. Accredited by the German Chamber of Industry and Commerce the Diploma in Plant engineering or PESHA covers all aspects of a modern building from plumbing, electrical, fire protection, access control, air conditioning, heating , solar power and integrated building management systems. DATS is among the first to offer this qualification outside of Germany.

Key Environmental Projects

Celebrating 10th Anniversary – Turtle Conservation Project

Panama is a coastal village in the Eastern Province of Sri Lanka, The Kumana Bird Sanctuary and Heritage Park are located southwards from Panama. Sea turtles play a key role in the marine ecosystem at global level, because most of the species exhibit a migratory pattern traversing national boundaries of many countries. Turtles are facing many threats including illegal trading, as a bycatch, unsustainable coastal development, and climate change.

The Panama Project was started in 2012 with Wildlife Ocean Resource Conservation (WORC) organisation. The first step of the project was to educate and train the community that was engaged in stealing the turtle eggs to become the patrol to protect the nests during breeding season. To protect the eggs from natural predators, cages were burrowed 1½ feet into the ground covering the nests, a harmless in-situ conservation method, that allowed turtle hatchlings to emerge through the gaps of the cage.

The stretch at Panama (east coast of the island) hosts nesting ground mainly for Olive Ridley (90%), Green Turtle (5%) & Loggerhead (5%) turtles. Within 10 years of this project, we have been able to release more than 150,000 hatchlings to open water. Sri Lanka has only 3 project sites that conserve turtles according to in-situ conservation methods: Rekawa, Tangalle and Panama.

It is important that conservation projects help enrich and develop the communities' living standards and add value by generating income. DIMO has been able to support and build a complete house for Sugathapala – who is part of the community and a main contributor in taking care of the nests for DIMO. The goal of the project is to declare the stretch of beach at Panama as a protected sanctuary.

The Life Project

Biodiversity Sri Lanka (BSL) in partnership with the Forest Department, IUCN Sri Lanka and selected private sector partners, undertook a pilot project to establish the biodiversity baseline in a 10 hectares block of degraded land, in the Kanneliya rainforest in 2018. The site is best described as a degraded rainforest which has been cleared for cultivation and subsequently abandoned resulting in the colonisation by the pioneer fern species *Dicranopteris linearis* (Kekeilla).

The project objective is to restore the degraded rainforest by improving its ecological functions, habitat enrichment and diversity in species by following scientific methodologies and efforts from expertise in the field and with the support from the community. The project has completed 4 years and will continue to show a positive impact that can be an excellent case study for future restoration projects in the country.

DIMO SUSTAINABILITY AGENDA 2030

MANAGEMENT COMMENTARY

The Life to Reef – Coral Restoration

Located just a few kilometres away from the world-renowned Jungle Beach in Unawatuna, Rumassala Sanctuary is indeed a paradise for those who love nature. In 2016 with the El Nino effect, the coral reef in the area was destroyed and around 95% of corals died in the incident – the reason for the project to commence.

'Life to Reef' a project proposed by Wildlife & Ocean Resource Conservation (WORC) attempts to restore the reef as naturally as possible – giving space for the coral polyps to regenerate on their own and colonise by accommodating the natural environment and space it needs to grow. The main objective of the project, started in 2017, is to clean the reef and to restore the reef by re-planting broken corals. The sanctuary belongs to the Department of Wildlife Conservation (DWC) and they monitor the project and site regularly.

Corals like Acropora sp and Montipora sp are used the most as they are corals that can grow much faster (1 cm per month). These types of corals enhance the ecosystem and bring in a diversity of other species of fish and sea life. We have re-planted around 3 hectares, and in some, natural colonisation has already started. Once the reef is a healthy ecosystem, it will become an ideal ecosystem for fish production and will act as natural barriers for many coastal natural disasters. Through the project we have been able to educate the community of the importance of the ecosystem and how they may contribute towards restoration and protection of the sanctuary as it is a source of income generation and a great tourist attraction.

Launching our Own 'DIMO Nature Club'

Our purpose in establishing the DIMO Nature Club was to create a platform for DIMO employees to engage in conservation and social welfare. Anyone can be a member as long as they are passionate to drive the tasks of the club. DIMO Nature Club focused on educating our members and community in conservation and in working together to create change makers. The club operates through a code of conduct that governs members and aligns them with DIMO values. So far, the club consists of 86 members.

The faith in our future

We are built on innovative, enduring structures and mechanisms that position us to weather the storm, and serve as a lasting influence for the generations yet to come.

The Sigiriya frescoes are a world-renowned symbol of Sri Lanka's heritage. This enduring artwork is the earliest known fresco of its kind; using natural resources as a base, and relying on innovative techniques and practices to achieve a final, lasting result.

ENTERPRISE GOVERNANCE

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CORPORATE GOVERNANCE REPORT

It is imperative that DIMO's affairs are managed in a fair and transparent manner. We believe this is vital to gain and retain the trust of our stakeholders. This is ensured by taking ethical business decisions, conducting businesses with a firm commitment to values, continuously engaging with stakeholders to identify their expectations and by making our communications transparent.

DIMO's key corporate governance practices and activities during the year ended 31st March 2022 are highlighted in this report as well as in the Board Committee Reports and in the Sustainability Report which forms part of this Annual Report. More details about DIMO's corporate governance structure, principles and practices are available on the company website.

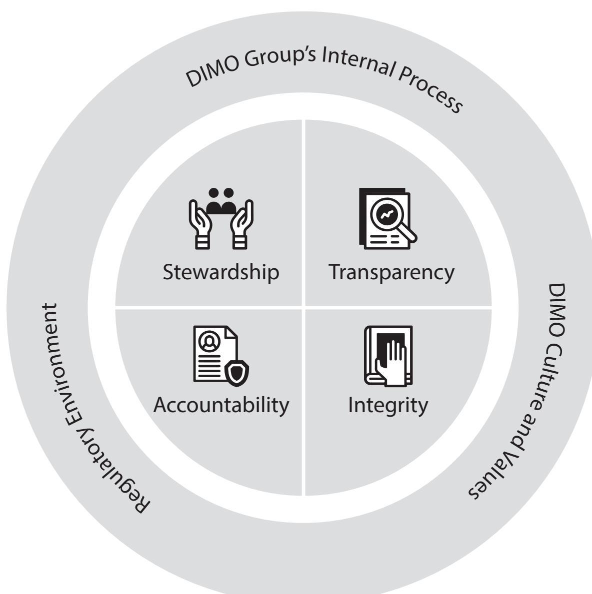
A Governance Framework that Navigates Our Effort to Perform and Conform

Effective Governance is a determinant of the success of a corporate. DIMO affirms its deep commitment to a high standard of corporate governance firmly anchored on four principles: stewardship, transparency, accountability, and integrity. The Board of Directors (the 'Board') in discharging their responsibilities always strives to operate within this framework and to promote good governance at all levels of the Group. This practice strengthens our continuing commitment to adhere to regulatory benchmarks and helps team members to live the four basic principles.

Figure 19: Governance Framework

Mandatory Compliance

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995
- Other legislative enactments affecting the Company
- Listing Rules of Colombo Stock Exchange
- Articles of Association
- SEC regulations



Voluntary Adherence

- Code of Best Practice on Corporate Governance issued by CA Sri Lanka
- Ten Principles of the UN Global Compact
- Code of Business Ethics of DIMO
- GRI Standards
- Quality Management System
- Environmental Management System
- Internal Control System
- Social Accountability Management System
- Occupational Health & Safety Management System

Stewardship

- The Board of Directors is always focused on providing strategic and fiduciary oversight to achieve Group strategies while enhancing value to its stakeholders. All directors, keep sight of the company's fundamentals, including its purpose and core values, its capabilities and risk profile, stakeholder expectations and communications, relevant sustainability issues, and its long-term strategic considerations, among other things. The Board believes its roles embed values and actions that drive their stewardship role as it steers the organisation.

Transparency

- DIMO always strives to be transparent in whatever we do. The Board discharges its role of transparency through the submission of financial and non-financial information as required by the regulators, adherence with internal policies and frameworks, independent assurance; and by performing annual evaluation on Board and Committee performance, thus permitting stakeholders to make informed decisions.

Accountability

- At DIMO, primary authority for identifying, overseeing and evaluating the Group's performance is vested with the Board. The Board regularly receives updates on the Group's performance and financial position to monitor performance and future prospects. The Board meets periodically to discuss Group affairs. DIMO publishes its interim Financial Statements on a quarterly basis within forty five days of the end of the first, second and third quarters and within two months of the end of the fourth quarter. The Board leads and provides direction to the management by providing the strategic directions, formulating the corporate strategy and by overseeing their implementation directly, and indirectly through Management committees.

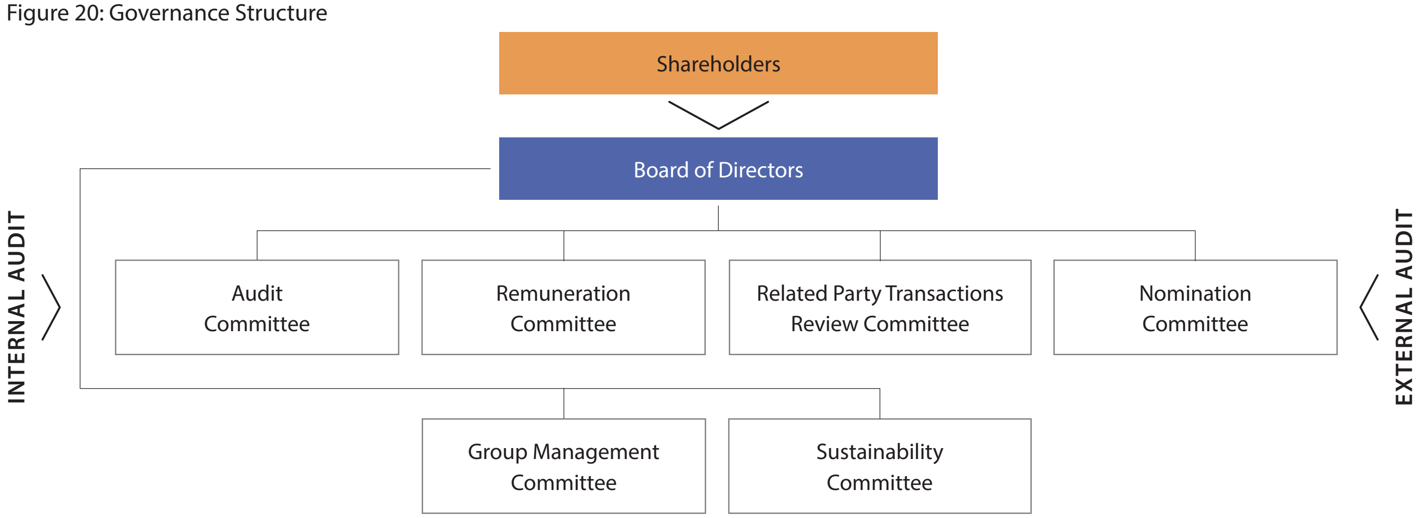
Integrity

- The Board believes that integrity is a fundamental prerequisite for successful business relationships, both internally and externally. Our Code of Business Ethics sets standards for ethical conduct that are built on the company's purpose, vision, mission and values. The Group's human resource policies and management systems on quality, environmental, social accountability and performance further ensure that all value creation activities are conducted conforming to this principle.

Governance Structure

Our Governance Structure demonstrates how the Board has designed the governance process across the Group and how it has delegated roles and responsibilities to achieve corporate strategies within the bounds of the four principles. The Board Committees form an integral part of the Governance structure which usually provides independent and objective judgement on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined. Group Management Committee executes strategies and policies determined by the Board. The entire process is examined by the Internal and External Auditors of the Group.

Figure 20: Governance Structure



CORPORATE GOVERNANCE REPORT

Our Board and its Role

The Board of Directors holds the prime responsibility to provide strategic direction to the Group's operation. The following responsibilities are assumed in performing its role:

- Formulating and implementing the corporate strategy for value creation in short, medium and long terms.
- Making decisions on Board appointments and evaluating Board performance including the performance of the Executive Chairman and the CEO.
- Providing proper financial oversight and adopting appropriate accounting policies.
- Approving budgets, major investments and ensuring adequacy of resources.
- Ensuring compliance with rules, regulations, and internal policies of the group.
- Monitoring systems and procedures especially with regard to internal controls and risk management.
- Building and improving stakeholder relationships and promoting the role to be played by the company towards sustainability.

The detailed analysis of our risk management practices are available in pages 104 to 108

The Directors' interests in the affairs of the Company are explained on page 129

Setting the Strategic Direction

The Board of Directors as part of its stewardship role is accountable to navigate the organisation through the economic challenges that lie ahead. While undertaking a digital transformation which is one of the largest investments of the Group, the Board directed the Group to a brand new set of priorities to "Reimagine" its strategy to overcome anticipated challenges from the economic crisis. The main focus of this strategy will be on achieving a balanced product portfolio with less dependency on economic volatilities, expanding the market share of existing products, and re-engineering business processes for greater efficiencies and synergies. More details of the strategy can be found on pages 34 to 39 of the strategy sections.

Ensuring that there are proper systems and processes implemented to align the performance with the strategic direction is equally important. Figure 21 elaborates on the key systems and processes the Board has implemented to ensure this important mandate.

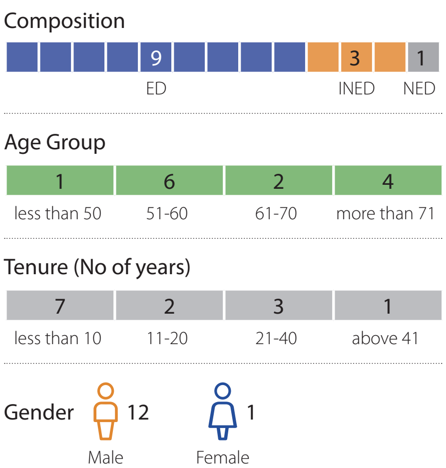
Figure 21: Board's Mandate for Aligning Performance with Strategic Direction

Approval of the Corporate Plan and Annual Business Plan	Periodic Performance Reviews	Approve significant capital investments	Management Systems for ESG Risk Management	Employee Performance Review and Approval of Remuneration
The Board prioritises reviewing and approving the Group's three year corporate plan and annual Business Plans. This ensures that the Board set the Group's strategic direction.	Performance of each business operation is reviewed quarterly to ensure progress is aligned with direction and if required to redirect the strategic direction	Any capital investment above Rs. 5 million is approved by the Board of Directors to ensure investments are aligned with the corporate plan and the strategic direction. These approvals include any acquisitions under the diversification strategy.	The Board has established state of the art management systems to ensure risks related to quality, environmental performance and occupational health and safety are managed within daily operations	A comprehensive employee performance management system ensures performance driven rewards and promotions. Final rewards to the Group are also approved by the Remuneration Committee to ensure alignment with strategic directions

Composition of the Board

At the time of authorising this Annual Report, the Board consists of thirteen members, of whom four were Non-Executive Directors.

Brief profiles of the members of the Board are given on pages 24 to 27



Independence of Directors

Three out of four Non-Executive Directors are Independent. The Board has made an annual determination as to the independence or non-independence of each Non-Executive Director based on a declaration made by them as per criteria set out by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), and the Board concluded that three Non-Executive Directors are independent.

Section 7.10.3 and 7.10.4 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 126 in the Annual Report of the Board of Directors.

Changes to the Board

Ms. D.N.K. Kurukulasuriya and Mr. C.R. Pandithage were appointed to the Board with effect from 30th May 2022.

Mr. A.N. Ranasinghe who served as an Executive Director of the Board resigned from the Board with effect from 15th May 2021.

Board Skills

The Directors possess diverse skills and bring a wide range of expertise and competencies that facilitate 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, marketing, information technology, leadership and law.

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

Board Proceedings

Meeting attendance of the Directors is one of the indicators of the Board's effectiveness. As the responsibility demands, the Board always dedicates adequate time and effort to discuss matters of the Board and the Group, to ensure that the duties and responsibilities owed to the Group are satisfactorily discharged. During the year, the Board held 08 meetings. At each Board meeting the Chief Executive Officer provides a review of the business and how it was performing, and the Chief Financial Officer provides a review of the Group's financial position.

Summary of matters reserved for the Board includes;

- Approval of interim and annual financial statements and any significant change in accounting policies or practices
- Approval of strategy and budgets
- Major acquisitions, mergers or disposals
- Major capital investments and projects
- Board appointments and removals
- Terms of reference and membership of Board Committees
- Remuneration of auditors and recommendations for appointment or removal of auditors
- Principal regulatory filings with stock exchanges

Table 14: Composition of Executive Directors and Non-Executive Directors at the Board meetings held during the financial year 2021/22

		Attendance of Directors			
Board Meeting Date (DD/MM/YYYY)	**Gap Between Meetings (Days)**	**Executive Directors**	**Non-Executive Directors**	**Independent Non-Executive Directors**	**Total Number of Directors Attended**
05/05/2021	43	8	1	3	12/12*
28/05/2021	23	7	1	1	9/11
12/06/2021	15	7	1	3	11/11
19/06/2021	07	7	1	3	11/11
13/08/2021	55	6	1	3	10/11
12/11/2021	91	7	1	3	11/11
23/12/2021	41	7	1	3	11/11
12/02/2022	51	7	1	2	10/11

CORPORATE GOVERNANCE REPORT

Table 15: Details of Directors' attendance at Board Meetings held during the financial year 2021/22

Name of the Director	Appointment to the Board		Meeting Date (DD/MM/YYYY) and Attendance								
	First (MM/YY)	Re-election/ Re-appointment (MM/YY)	05/05/2021	28/05/2021	12/06/2021	19/06/2021	13/08/2021	12/11/2021	23/12/2021	12/02/2022	Overall Attendance
A.R. Pandithage	Jun-77	Jun-21	✓	✓	✓	✓	✓	✓	✓	✓	8/8
A.G. Pandithage	Dec-95	Jun-21	✓	✓	✓	✓	✓	✓	✓	✓	8/8
S.C. Algama	Nov-84	Jun-21	✓	✓	✓	✓	✓	✓	✓	✓	8/8
M.V. Bandara	Jun-16	Jun-21	✓	✓	✓	✓	×	✓	✓	✓	7/8
Dr. H. Cabral	Oct-06	Jun-21	✓	×	✓	✓	✓	✓	✓	✓	7/8
B.C.S.A.P. Gooneratne	Apr-06	Jun-21	✓	✓	✓	✓	✓	✓	✓	✓	8/8
P.K.W. Mahendra	Jun-16	Jun-20	✓	✓	✓	✓	✓	✓	✓	✓	8/8
A.M.Pandithage	Sep-82	Jun-21	✓	✓	✓	✓	✓	✓	✓	✓	8/8
S.R.W.M.C. Ranawana	Jun-16	Jun-20	✓	✓	✓	✓	✓	✓	✓	✓	8/8
J.M. De Silva	Aug-20	Jun-21	✓	×	✓	✓	✓	✓	✓	×	6/8
A.D.B. Talwatte	Jun-16	Jun-20	✓	✓	✓	✓	✓	✓	✓	✓	8/8
A.N.Ranasinghe	Jul-17	Jun-18	✓	-	-	-	-	-	-	-	1/1*

* Mr. A.N.Ranasinghe who resigned from the Board w.e.f. 15th May 2021 attended only the first Board Meeting during the Financial Year ended 31st March 2022.

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

Board Committees

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

Composition and Meeting Attendence

Table 16: The composition of the respective Board Committees and attendance by each member at Committee meetings held during the financial year

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

M Member of the Committee
C Chairman of the Committee

The committees' composition met the requirements of the rule Section 7.10.5(a), 7.10.6(a) and Section 9.2.2 of the Listing Rules of the Colombo Stock Exchange and Code of Best Practices on Corporate Governance 2017 issued by the ICASL.

The reports of the Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee are available on pages 95 to 99.

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 pages 28 to 29.

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 the Group's sustainability objectives.

Role of the Chairman and CEO

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 Chairman acting in an executive capacity has been economically beneficial to shareholders, and that the dual role of Executive Chairman does not compromise the principles of 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 functioned as the Senior Independent Director (SID) of the company during the financial year. The presence of the Senior Independent Director provides an effective mechanism to review the effectiveness of the Board in view of the executive role played by the Chairman.

Statement of SID available on page 94

Performance Evaluation of the Board and the Committees

The Board recognises that conducting regular evaluation of its performance is essential to good corporate governance and Board effectiveness. As part of the evaluation process, each Director completed a questionnaire to assess the performance of the Board, and that of its committees with the support of the Company Secretary. The tabulated results were then referred to the Board. The evaluation result indicated that the board operated effectively and performed well in the governance of the Group, and the members were satisfied with the composition and operational effectiveness of the relevant board committees. Recommendations for improvement are being followed up.

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

Directors' Remuneration

The Board always ensures that the level of remuneration is attractive enough to motivate and retain Executive Directors. The Remuneration Committee assists the Board by suggesting and approving remuneration for Executive Directors. Information about DIMO's remuneration policy and the Remuneration Committee, including its work in 2021/2022, is set out in the Remuneration Committee Report on page 97.

Directors' remuneration is disclosed on page 154.

Remuneration Linked to Value Creation

The Board bears the responsibility to ensure that the Group has a comprehensive remuneration policy through which employees are rewarded for their alignment to strategic direction. Figure 22 elaborates the remuneration policy of the employees which ensures

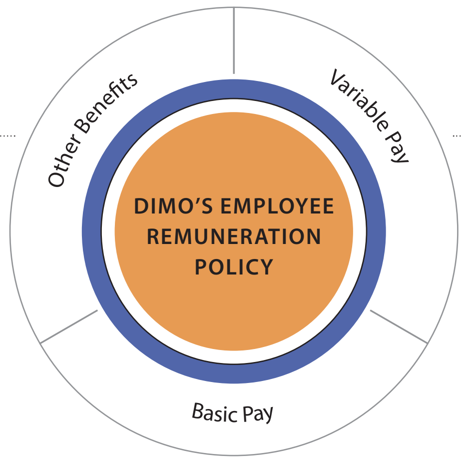
- Attracting, motivating, and retaining high calibre employees in a competitive market and recognise their skills, experience, and contribution to the Company's values
- ensuring that our pay is competitive in the industry and matched to market rates
- being able to comply with legislative provisions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

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

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

CORPORATE GOVERNANCE REPORT

Figure 22: DIMO's Employee Remuneration Policy



Other Benefits

- Medical benefits
- Insurance
- Subsidised meals
- Study assistance and professional allowances
- Other lifestyle related benefits
- Excursion allowance

Basic Pay

- 80% - 88% of the monthly salary
- Periodic market benchmarking
- Annual market adjustments
- Equity and fairness

Variable Pay

- Based on performance and value creation
- Consists of number of schemes based on business nature
- Sales staff and technical staff Incentives
- Project staff incentives
- Shared services incentives
- Cross selling incentives
- Annual bonus

Basic Pay is the core of a person's total monthly salary. It is determined through market surveys and benchmarking. The basic pay of an employee will be about 80% to 88% of a person's monthly salary. Employees' performance scores are taken into consideration in determining their basic pay. The top-performing individuals and the high potentials (identified from the 09 box assessment) of the organisation will be positioned at 120% of the benchmark.

Variable pay and increments to basic pay are linked to performance evaluation, which is directly linked to how employees achieve targets against the strategic objectives of the company.

Benefits are those that are awarded to an employee to ensure their lifestyles are maintained on par with the industry benchmarks. The key determinants of our benefit structure rely upon the job category and the level of the employee creating uniformity and equality among employees.

Determinants of Executive Pay

The Group Management Committee (GMC) and other key executives who are invitees to the Group Management Committee have been delegated the responsibility of implementing strategy, driving performance, and creating value in the short, medium, and long term. Figure 23 elaborates the key responsibilities of each key executive that determine their remuneration.

The Remuneration Committee has the responsibility to ensure executive pay is aligned with the desired performance of the Group. Refer to page 97 for the report of the Remuneration Committee.

The Board recognises that conducting regular evaluation of its performance is essential to good corporate governance and Board effectiveness. As part of the evaluation process, each Director completed a questionnaire to assess the performance of the Board, and that of its committees with the support of the Company Secretary.

Figure 23: Executive Pay Determination Matrix

	Executive Chairman / MD	Group CEO	CFO	Cluster Heads / COOs	CHRO	CIO	CMO
Strategy and Business Model	Directing the GMC for strategy formulation	Setting Group level strategic aspirations	Driving business plan through formulation, monitoring and control	Preparing business plans and driving business level performance	Ensure HR strategies are aligned to Group's strategic direction	Enable required technologies and information for strategy formulation and execution	Ensure marketing strategies are aligned to Group strategy
Monetised Capital	Shareholder relationships are well maintained	Optimised capital trade-offs and investments	Funds availability at optimal cost and securing manufacturing capital	Optimal Cash flows and working capital management at business level	Management of employee pay	Security of fund processing	Generating revenue through pull and push strategy
Human Capital	Encouraging a people centric culture	Companywide leadership and engagement and succession plans for key positions	Ensure funds availability for employee benefits and pay	Leadership and engagement of respective business teams	Responsible for Group's total human capital management, engagement and effectiveness	Facilitate required digital HR platforms	Leadership to marketing and trade marketing teams
Social and Relationship Capital	Creating customer focused and a responsible culture	Foreign principal and key customer relationship management	Drive positive cash flows from relationships	Direct relationship management at business level	Ensure employees are well trained for customer experience	Make available digital platforms for relationship management	Stimulate relationships through marketing strategies
Intellectual Capital	Foster Innovation at Group level	Ensure efficient and effective processes are deployed and brand is managed	Provide leadership to Digital transformation	Continuous improvements at business level	Ensure tacit knowledge is retained and promoting innovation within employees	Drive digital transformation	Owner of managing and enhancing DIMO brand
Natural Capital and ESG	Creating an ethical and integrity driven culture	Overall leadership to responsible business practices and DIMO sustainability agenda 2030	Driving the sustainability agenda 2030	Leadership for executing sustainable business models	Ensure employee responsible behaviour and compliance	Driving automation and efficiency	Positioning DIMO as a responsible corporate in the external market

CORPORATE GOVERNANCE REPORT

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 control systems classified into the "voluntary adherence" category.

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 202.

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 of the end of the first three quarters and within two months of the end of the last quarter.

The Annual Report for the year ended 31st March 2022 has been circulated to shareholders and submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

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

All disclosures specified by Section 7.6 of the Listing Rules of the Colombo Stock Exchange are contained in this Annual Report. There is no evidence of the book value of land being substantially different from the market value of land of the Company and/or its subsidiaries.

Voluntary Adherence

While mandatory compliance provides the 'base', voluntary adherence strengthens the conformance aspect of Enterprise Governance.

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 at https://www.dimolanka.com/content/Supplimentary-InformationGovernance-2022.pdf

Assurance and Certification

Independent assurance, independent review, oversight and independent certification are key sources of assurance and conformity with regard to integrity and due functioning of the enterprise governance framework. These sources of assurance and outputs are provided below.

Assurance on Financial Statements
Independent audit report at the year-end

Assurance on ESG Statement
Independent review and assurance report

Assurance on Integrated Reports
Independent review and assurance report

Internal Audit Review of Systems, Controls, Processes and Operations
Internal Audit Reports of the Group Chief Internal Auditor

Independent Certifications
QMS audit and certifications | EMS audit and certification | OHS audit and certification

Code of Business Conducts and Ethics

At DIMO, we have institutionalised ethical behaviour in our every endeavour through the code of business ethics, which is applicable to each employee including Directors and Key Management Personnel. All employees sign a declaration to the effect that they will comply with the Code in its entirety.

Stakeholder Interests

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 into practice. Stakeholder engagement is discussed in greater detail on page 100 of the Annual Report.

Communication with Shareholders

The Board gives high priority to maintaining balanced, clear and transparent communications with Shareholders and other investors to facilitate their understanding of the Group's performance and prospects, as well as the market environment in which it operates. Annual General Meeting and

Extraordinary General Meetings are held when necessary to discuss shareholder views and inform them about the Group's activities. The effectiveness of DIMO's engagements with Shareholders is assessed during the annual evaluation of the Board's performance as set out in the "Board and Committees Performance Evaluation" section.

Shareholders are welcome to raise their concerns and matters to Company Secretary accessing through the following channels.

Name: B.C.S.A.P. Gooneratne

Email: dimo@dimolanka.com

Telephone : +94-11-2449797, +94-11- 2338883

Internet of Things and Cybersecurity

Robust Risk Management and Internal Control frameworks are a vital part of the Board Governance Process. With Information Technology (IT) being a key part of DIMO's differentiation strategy, the Board is committed to identifying and managing IT related risks including Cybersecurity risk, across the Group.

Details of the Group's Risk Management Process is discussed on pages 104 to 108.

Digital Transformation and Board's Approach to Its Governance

The digital transformation that was started in the year 2020 is a commitment the Board has undertaken for five years to transform the Company's processes and systems into world-class best practices. While this is expected to create substantial outcomes in the medium to long term, in the short term the project demands a substantial trade-off of monetised capital. The Board has thus taken the initiative to ensure the implementation is aligned with Board's strategic direction and that it is completed on time with the desired outcomes. Figure 24 elaborates on the governance mechanisms deployed by the Board for this important mandate. The digital transformation is expected to increase the visibility and the transparency of internal processes as well.

Figure 24: Digital Transformation and its Governance

Director Level Process Owners

- Approve future state business process design and secure functional area resource support

Steering Committee

- Chaired by the CEO and consist of Executive Directors and GMC members
- By weekly meetings to make timely decisions on presented process, scope, resource and/or budget issues

Reviews with Non-Executive Independent Director

- A Non-Executive Independent Director who is a veteran in digital transformation and ERP systems monitors the project progress closely.
- Updates and reviews are conducted with him to ensure independent review of the progress

Updates at Board meetings

- The Board of Directors are updated on the progress of the project every quarter.
- Each investment under the Digital Transformation is approved by the Board.

Promoting Innovation

Innovation is ingrained in our offerings and business practices, and the Board has made it a priority to foster this vital endeavour within the Group. Relationships with foreign business partners are one method of promoting innovation. The Board ensures that we collaborate with those who demonstrate the highest level of innovation and have the ability to tailor such innovations to the Sri Lankan market. "DIMO Batta" is an example of a product that has been innovated with the help of foreign principals. Furthermore, investments in three cutting-edge Agri farms in Sri Lanka are promoting R&D and innovation in the agribusiness.

Investments in technology encourage innovation in business practices. A recent example is the Board's commitment to a significant investment in digital transformation to innovate its systems and processes.

Sustainability Reporting – ESG

Environmental, Social and Governance considerations are given top priority in DIMO's long-term business strategy and throughout its value creation process. The Board with the support of the Sustainability Committee continuously identifies and responds to ESG related risks and opportunities affecting DIMO's business model. A comprehensive report on ESG factors and an ESG Performance Statement are available on page 110 to 122.

SENIOR INDEPENDENT DIRECTORS' STATEMENT

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

Asite Talwatte
Senior Independent Director

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, the 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.

Asite Talwatte
Senior Independent Director

Colombo
31st May 2022

REPORT OF THE AUDIT COMMITTEE

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the year ended 31st March 2022. Through this report, I will share with you how the Audit Committee worked towards discharging its responsibilities.

Asite Talwatte
Chairman – Audit Committee

Purpose of the Committee

The Audit Committee is delegated authority by the Board to provide independent oversight of the Group's financial reporting and internal control systems, compliance with legal and regulatory requirements, risk management practices, and of the adequacy of the external and internal audit, with a view to safeguarding the interests of the shareholders and all other stakeholders.

Composition of the Committee

The Committee comprises of four Non-Executive Directors, three of whom are Independent Non-Executive Directors. Names of the Committee members are given on page 88 of the Corporate Governance Report.

One member has significant, recent and relevant experience in financial reporting, control and regulatory requirements along with a professional accounting qualification.

The Group Chief Financial Officer is the Secretary of the Committee.

Meetings and Attendance

The Committee held four meetings during the financial year and members' attendance at the Committee meetings is given on page 88 of the Corporate Governance Report. The Chairman, CEO, CFO and Group Chief Internal Auditor are permanent invitees to all Committee meetings. Representatives of the Group's External Auditors, Messrs KPMG also attend the Audit Committee meetings when required to do so.

Proceedings of these meetings with adequate details of matters discussed were regularly reported to the Board through verbal briefings, and by tabling the minutes of the Committee's meetings.

Terms of Reference

The Audit Committee operates within written Terms of Reference, approved by the Board of Directors, which are carefully designed to discharge the Committee's purpose, duties and responsibilities. The Committee reviews and assesses the adequacy of the Terms of Reference, which were last reviewed and approved by the Board of Directors on 30th May 2022.

Summary of Work in 2021/2022

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 2022 prior to its 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 the Internal Audit and Independent External Audit
- Disclosure requirements and other applicable accounting and financial reporting requirements such as the Companies Act No. 07 of 2007, Listing rules and amendments thereto, etc.
- The Group's/Company's ability to continue to operate 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 for ensuring the effectiveness of the internal control systems of the Group. The Group's internal audit function is headed by the Group Chief Internal Auditor. 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;

- Revisions to the Group Internal Audit Charter
- The annual audit plan and changes to the plan
- The internal audit activities, findings and recommendations, and effectiveness 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 concurring with annual compensation.

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

Risk Management and Internal Controls

The Audit Committee plays a prominent 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 page 104 to 108.

REPORT OF THE AUDIT COMMITTEE

The Committee engages in monitoring and evaluating the effectiveness of the internal control environment of the Group/Company. The evaluation is carried out mainly through discussions and assessment of reports submitted by the Management 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 Company's assets and reliability of its Financial Statements.

External Audit

The Audit Committee is mandated to monitor the independence of the Group's External Auditor, Messrs KPMG, to ensure its objectivity in auditing the financial statements, thereby evaluating the performance of the External Auditors and making recommendations for engagement of 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 observation made by them.

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

The current auditors, Messrs KPMG, was initially appointed as the External Auditors of the Company and continue to hold that position at present. A partner rotation of the auditors takes place at periodic intervals; the 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 auditors' observations and updates on legal and regulatory compliance matters. The Committee is satisfied that laws and regulations have been duly complied with and statutory payments have been made on a timely basis.

The orientation programme for new employees includes a training on compliance with the code of business ethics of the Group and employee declaration to the compliance with the code.

Reporting

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

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

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

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

Evaluation of the Committee Performance

An annual performance evaluation of the Committee was conducted by the members of the Audit Committee and separately by the Board and the outcome of the evaluation is given on page 126 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 provides reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Company and its subsidiaries are able to continue to operate as going concern.

Asite Talwatte
Chairman – Audit Committee

Colombo
31st May 2022

REPORT OF THE REMUNERATION COMMITTEE

Dear Shareholder,

I am pleased to present the report of the Remuneration Committee for the year ended 31st March 2022. Through this report I will share with you as to how the Remuneration Committee worked towards discharging its responsibilities.

Dr. Harsha Cabral
Chairman – Remuneration Committee

Purpose of the Committee

The Remuneration Committee is delegated authority by the Board to consider and recommend the Company's remuneration policy and remuneration packages 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 based on the recommendations made by the Chairman/ Managing Director and the Chief Executive Officer.

Composition of the Committee

The Committee comprises of four Non-Executive Directors, three of whom are Independent Non-Executive Directors. Names of the Committee members are given on page 88 of the Corporate Governance Report.

The Group Chief Executive Officer is the Secretary of the Committee.

Meetings and Attendence

The Committee held one meeting during the financial year and members' attendance at the Committee meeting is given on page 88 of the Corporate Governance Report.

Terms of Reference

The Remuneration Committee operates within written Terms of Reference, which are carefully designed to discharge the Committee's purpose, duties and responsibilities The Committee is committed to the principles of accountability and transparency and ensuring that remuneration arrangements align rewards with performance.

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

The Committee has acted within the parameters set by its Terms of Reference. The Committee reviews and assesses the adequacy of the Terms of Reference, which were last reviewed and approved by the Board of Directors on 30th May 2022.

Remuneration Policy

The remuneration policy is designed to reward, motivate and retain the Company's executive team, with market competitive remuneration and benefits, thereby supporting 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 Executive Directors and 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 returns. The variable remuneration is linked to the Group's profitability.

Components of the Executive Directors' Remuneration

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

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

Summary of Work in 2021/2022

The Committee 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 154.

Evaluation of the Committee Performance

An annual performance evaluation of the Committee was conducted by the members of the Remuneration Committee and separately by the Board and the outcome of the evaluation is given on page 126 in the Annual Report of the Board of Directors.

Dr. Harsha Cabral
Chairman - Remuneration Committee

Colombo
31st May 2022

REPORT OF THE 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 2022. Through this report, I will share with you how the Related Party Transactions Review Committee worked towards discharging its responsibilities.

Jayantha De Silva
Chairman - Related Party Transactions Review Committee

Purpose of the Committee

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

Composition of the Committee

The Committee comprises of four Non-Executive Directors, three of whom are Independent Non-Executive Directors. Names of the Committee members are given on page 88 of the Corporate Governance Report.

The Group Chief Financial Officer is the Secretary of the Committee.

Meetings and Attendance

The Committee held four meetings during the financial year and members' attendance at the Committee meetings is given on page 88 of the Corporate Governance Report.

Terms of Reference

The Committee operates within written Terms of Reference, approved by the Board of Directors, which are carefully designed to discharge the Committee's purpose, duties and responsibilities. The Committee's duties and responsibilities are set out in accordance with requirements stipulated by the LKAS 24, Listing Rules of the Colombo Stock Exchange and Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

During the year, the Committee acted within the parameters set by its Terms of Reference. The Committee reviews and assesses the adequacy of the Terms of Reference, which were last reviewed and approved by the Board of Directors on 30th May 2022.

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). An agenda checklist is prepared and circulated prior to each Committee meeting, which enables committee members to review all related party transactions.

In accordance with the Related Party Transaction Policy, declarations are obtained from all 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.

Summary of Work in 2021/2022

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

An annual performance evaluation of the Committee was conducted by the members of the Related Party Transactions Review Committee and separately by the Board and the outcome of the evaluation is given on page 126 of the Annual Report of the Board of Directors.

Declaration by the Board

The Board has given a declaration in the Annual Report of the Board of Directors on pages 125 to 128 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 financial year.

Jayantha De Silva
Chairman - Related Party Transactions Review Committee

Colombo
31st May 2022

REPORT OF THE NOMINATION COMMITTEE

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31st March 2022. Through this report I will share with you how the Nomination Committee worked towards discharging its responsibilities.

Dr. Harsha Cabral
Chairman – Nomination Committee

Purpose of the Committee

The Nomination Committee is delegated authority by the Board 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 match the strategic demands facing the Company.

Composition of the Committee

The Committee comprises of one Executive Director and four Non-Executive Directors, three of whom are Independent Non-Executive Directors. Names of the Committee members are given on page 88 of the Corporate Governance Report.

The Group Chief Financial Officer is the Secretary to the Committee.

Meetings and Attendence

The Committee held one meeting during the financial year and members' attendance at the Committee meeting is given on page 88 of the Corporate Governance Report.

Terms of Reference

The Nomination Committee has written Terms of Reference dealing with its authority and duties which may be amended at any time by the Board of Directors. The Nomination Committee may, from time to time, investigate, discuss or review matters outside its Terms of Reference if so required by the Board. The Committee reviews and assesses the adequacy of the Terms of Reference, which were last reviewed and approved by the Board of Directors on 30th May 2022.

Functions

The duties of the Committee include;

- Reviewing the structure, size, composition and competencies of the Board
- Evaluating the independence of the Non-Executive Directors and performance of the Board
- Reviewing the process for succession planning to ensure that the Board has the correct balance of individuals to discharge its duties effectively
- Considering and recommending the re-election of the Non-Executive Director eligible for re-election by taking into account the Company's Policies and applicable laws or their reappointment at the end of the specified term as set out in their appointment letter
- Ensuring that no member of the Nomination Committee is involved in deciding his own appointment
- Making any recommendations on any other matter/s referred to the Committee by the Board of Directors.

Summary of Work in 2021/2022

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 appointment of Directors as well as succession plans in place for all key management personnel of the group.

Evaluation of the Committee Performance

An annual performance evaluation of the Committee was conducted by the members of the Nomination Committee and separately by the Board and the outcome of the evaluation is given on page 126 in the Annual Report of the Board of Directors.

Dr. Harsha Cabral
Chairman - Nomination Committee

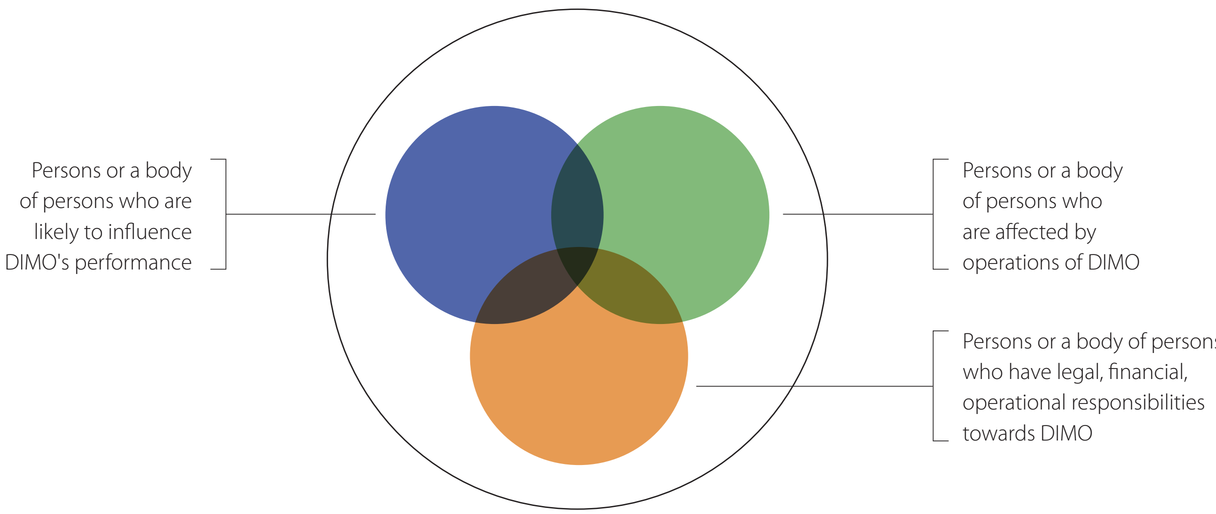
Colombo
31st May 2022

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a key governance tool used by the Board of Directors to discharge its accountability towards key stakeholders of the company. Because we depend on key stakeholders for our capital inputs, understanding and managing their material issues is of key importance for our ability to create value.

Our stakeholders were identified by the Sustainability Committee following a comprehensive analysis of data independently obtained from various stakeholder groups. As depicted in Figure 25, stakeholders who belong to at least two baskets will be considered for in depth engagement.

Figure 25: Stakeholder Categorisation and Prioritisation



Stakeholder Engagement

In practice, stakeholder engagement takes place through a number of methods which vary from surveys to independent one-to-one interviews. The method and frequency of engagement are decided based on the nature of the relationship we maintain with each stakeholder. The methods we adopt to identify issues of each material stakeholder and the frequency of those engagements are detailed below.

Table 16: Stakeholder Engagement and the Frequency

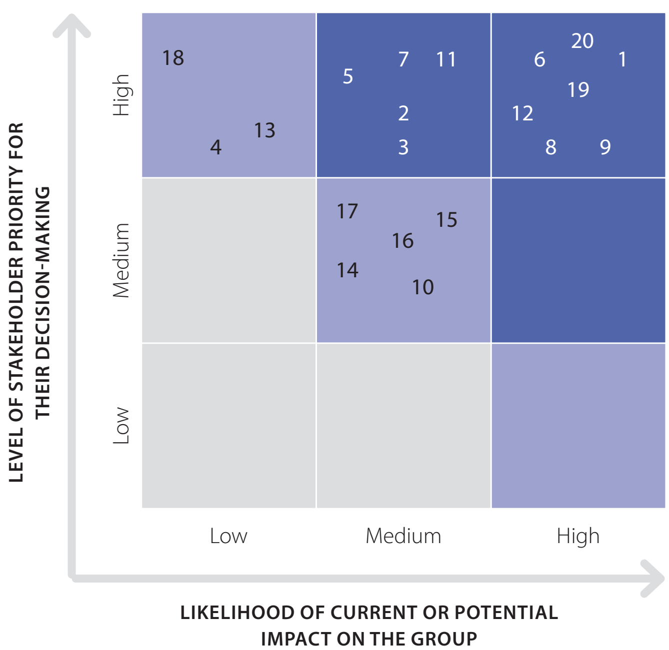
Stakeholder	Engagement Method	Frequency
Shareholders	One-to-one interviews	Once every 3 years
	Annual General Meeting	Once a year
	Other annual and quarterly publications	Periodically
	Company website and social media platforms	Online
Customers	One-to-one interviews	Once in every 3 years
	Customer Satisfaction Survey	Once a month/quarter
	Loyalty customer clubs (TATA Emperor, Mercedes-Benz Club & Jeep club)	Continuous

Stakeholder	Engagement Method	Frequency
Business Partners & Suppliers	One-to-one interview	Once every 3 years
	Dedicated product managers to manage foreign business partner relationships	Continuous
	On-site visits from principals and on-site visits to principals' locations facilitate engagement	Continuous
Employees	Independent Employee Trust Survey	Once a year
	Employee Council Meetings	Once a month
	Employee Engagement Survey	Once a year
	Annual Strategic Planning Meeting	Once a year
	Company's 'Open Door' Policy	Continuous
	Individual Performance Review	Annual
	Employee Facebook Group	Online
Society	One-to-one interviews (by independent parties)	Once every 3 years
	Dialogue with Religious Dignitaries	Continuous
	Written and oral communications initiated by stakeholders	Continuous
	Company website and social media platforms	Online

Feedback Analysis

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

Figure 26: Material Issues of our Stakeholders



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

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

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

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

STAKEHOLDER ENGAGEMENT

Material Stakeholder Issues and Status

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

The following table explains the shift in the status of those material matters, where applicable, and our responses, and provides a link to detailed discussions conducted in the Annual Report while also indicating the status of the objectives under DIMO Sustainability Agenda 2030.

Figure 17: Status of Material Topics – 2021 vs. 2022

Material Aspect	Issues Raised by (Stakeholder Group)	Possible Reason for the Shift in Status	Our Response
Economic performance	Shareholders	With the emergence of COVID-19 pandemic and the prevailing economic crisis in the country the significance of this aspect has increased.	DIMO's strategy 'Reimagination' is fully focused on addressing the prevailing economic crisis through corporate level strategic solutions. Please refer page 34 to 39 for DIMO strategy and page 14 to 16 for the Chairman and Group CEO's statements for more details about our response to this aspect.
Customer health and safety	Customer	With the onset of the COVID-19 pandemic, the importance of ensuring our customers' health and safety too increased and this status remains in this year as well.	Our ISO 9001 (2015) certified Quality Management System ensures quality of product & service. In year 2022 DIMO was able to get its Occupational Health and Safety Management System ISO 45001:2018 certified. The Group is adhering to all government regulations and health guidelines pertaining to the COVID-19 pandemic. Please refer page 104 to 108 for more information in the risk management section.
Employee health and safety	Employee	With the onset of the COVID-19 pandemic, the importance of our employee's health and safety increased last year and remains as it is for this year as well.	In year 2022 DIMO was able to get its Occupational Health and Safety Management System ISO 45001:2018 accredited. The Group is adhering to all government regulations and health guidelines pertaining to the COVID-19 pandemic. Kindly refer page 104 to 108 for more information in the risk management section.
Emissions, effluents and waste	Society Customer	No significant change	Our Environment Management System which is ISO 14001: 2015 certified is constantly working towards minimising emission levels and effluents. DIMO is in the process of implementing a GHG Emission Management System with ISO 14064 accreditation to systematically manage its GHG emission. For more information refer pages 110 to 122 of the Statement of ESG Performance.
Employee benefits	Employee	With the prevailing economic crisis and the inflation in the country, the significance of this aspect has increased	The Group has taken a decision to prioritise employee benefits and their well-being this year while optimising other costs. Please refer to page 34 of the strategy section and page 52 to 55 for the human capital report of the Annual Report for more information about this

Material Aspect	Issues Raised by (Stakeholder Group)		Possible Reason for the Shift in Status	Our Response
Data security and customer privacy	• Customers	⦿	With the onset of the COVID-19 pandemic and resorting to remote working, the threat to data security has increased last year and remains high for this year as well.	Data security is of paramount importance and there are controls and other mechanisms employed to ensure data security. Please refer page 104 of the risk management section for more information
Local community development	• Society	✱	With the prevailing economic crisis, our local communities expect corporates to be more empathetic towards their issues and take part in their development	The Group implements targeted community development programmes to address specific issues in neighbouring communities. The Annual Book Donation Programme at Siyabalape and Weliweriya locations is one such programme. Please refer page 76 for the sustainability strategy of the Group which outlines DIMOs future direction in this regard
Technical education for youth	• Society • Customer • Supplier	⦿	No significant change	We continue our investments in technical education and expanded the number of opportunities provided to apprentices. Monetised resources invested in free of charge technical education at DATs was Rs. 19 million For more information refer page 80 of the Annual Report.
Mutually beneficial relationships with business partners	• Suppliers	⦿	No significant change	Constant interactions and information sharing continues. Periodic reports provided to Business Partners address expectations of Business Partners. For more information refer page 62 to 63 of the Annual Report.
Energy consumption	• Society	⦿	No significant change	Energy saving measures are implemented across the organisation. Two major buildings are LEED certified green buildings (Gold Category). For more information refer page 110 of the Annual report.
Availability of spare parts	• Customers	◈	Due to prevailing curtailments to imports, customers are concerned about the availability of spare parts	Foreign currency available to the company is being allocated to products based on essentiality and the gross earnings of each product. Moreover, DIMO is maintaining mutually beneficial relationships with financial institutions to ensure access to foreign currency. Refer pages 32 to 33 for more information about After Sales Services Business.
Increasing prices of products and services	• Customers	◈	Rupee depreciation and inflation have compelled the company to increase its prices to recover the respective costs	DIMO's cost optimisation plans are being implemented to ensure there is a sufficient buffer before opting for price increases Also, DIMO will be prioritising low cost options or products in the lower tier to serve customers who are price sensitive

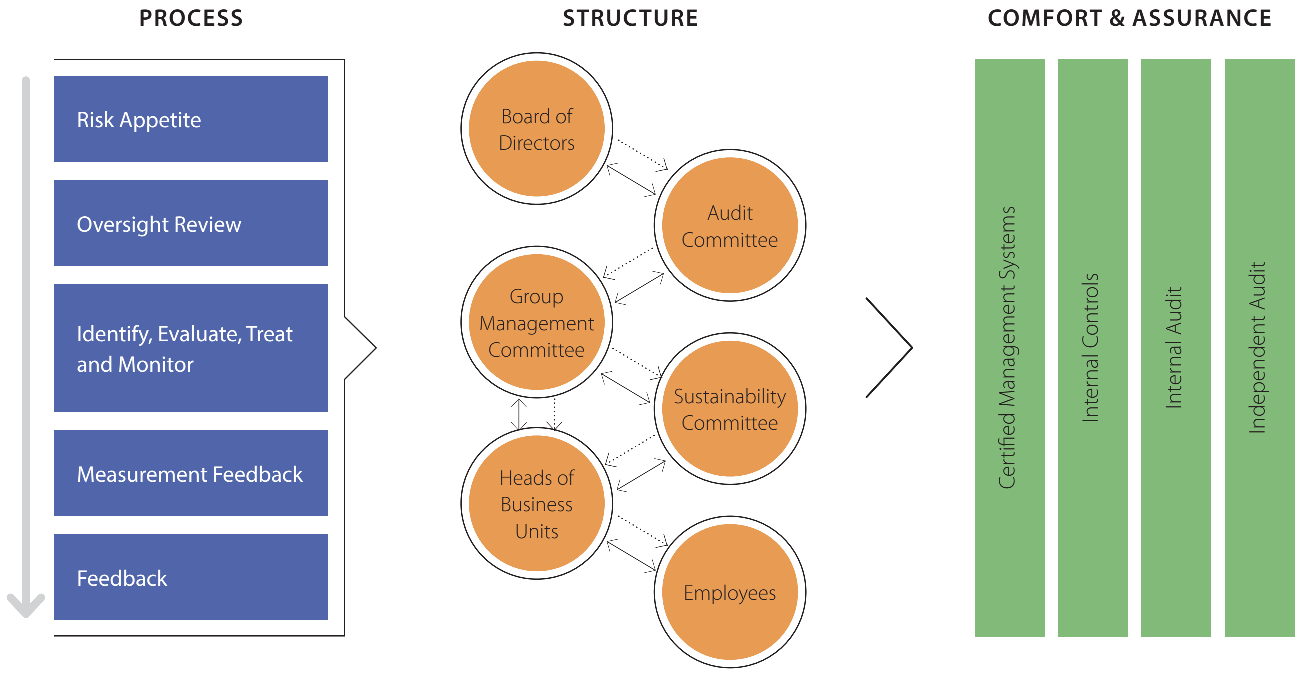
✱ Materiality of issues increased
❖ Materiality of issues decreased
⦿ Materiality of issues remains the same
◈ New issue identified

RISK MANAGEMENT

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.

As part of its stewardship obligations, the Board of Directors bears responsibility for having a risk management process in place to ensure uninterrupted value creation. Figure 27 depicts the approach to managing risks, and the structure available to review the effectiveness of the risk management process, alongside the sources that provide comfort and assurance.

Figure 27: Lines of Defence in Managing Risks



Each Business Unit is required to maintain a risk register to record significant uncertainties of the Business Unit, as mandated by the Quality Management System. The Head of each business unit is expected to identify and record significant uncertainties throughout the value chain of the respective Business Unit.

Uncertainties that have significant impact over the Business Unit's performance are communicated to the Group Management Committee (GMC) at the quarterly performance review meetings and annual budget meetings. Moreover, all employees are encouraged to communicate risks related to compliance and reputation directly to the CEO .

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

Internal control, internal audit and independent assurance provide comfort and assurance to risk management. While internal controls focus on operations, the assurance provided by external audit and independent parties deals with any gaps in the process of identifying and managing risks.

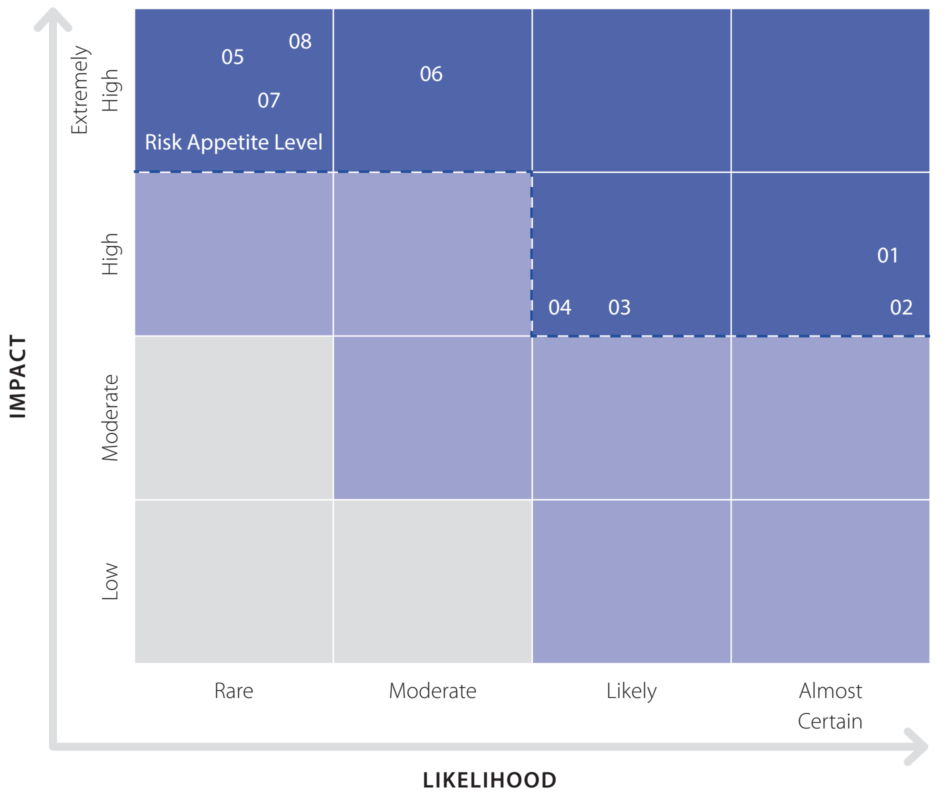
Risk Evaluation and Mapping

A risk map is developed following an assessment of the likelihood of occurrence and the potential impact of risks, should they occur. The likelihood of occurrence is assessed on the basis of past experience and preventative measures in place. Each risk is assigned a ranking of 'almost certain', 'likely', 'moderate' or 'rare' related to the probability of occurrence. The impact of the event is assessed by determining the loss it would cause and the extent of the impact. After consideration of these two factors, the impact is then categorised as 'low', 'moderate', 'high' or 'extremely high'.

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

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

Figure 28: Risk Heat Map



Risks that Exceed Group's Risk Appetite

01. Foreign currency risk
02. Interest rate risk
03. Purchasing power risk
04. Credit risk
05. Health and safety risk
06. Extreme weather conditions due to climate change
07. Reputational risk
08. Risk to data security and system breaches

DIMO Improves its Health and Safety Risk Management

Being an engineering solution provider, there is an inherent risk for health and safety when engaging in delivering engineering solutions. The Board has deployed an Occupational Health and Safety Management system to ensure the working environment is safe for our employees and customers. During the year the management system was certified by ISO 45001:2018.

RISK MANAGEMENT

Risks Above Appetite in Detail

Risks that exceed the Group's risk appetite are escalated to the Board of Directors in order to ensure that adequate mitigations are implemented and monitoring mechanisms are in place to evaluate the effectiveness of such mitigation activities.

Table 18: Key Risks, Impact on Strategy and Value Creation, Inherent Risk, Mitigation Strategies and Residual Risk

Risk/Uncertainty	Impact on the Value Creation	Inherent Risk	Mitigation Strategy	Residual Risk After Mitigation Strategy
Risks emerged/intensified due to the economic crisis				
Foreign currency risk Rupee depreciation and resulting losses from foreign payables Foreign currency shortage leading to curtailment of imports, thereby limiting availability of stocks	**Capitals** Monetised capital Social and relationship capital **Business activities** Sourcing Delivery After services	As at the year-end DIMO had a USD 10 million foreign currency exposure as net payables. 1% depreciation in rupee will have a Rs. 37 million impact on the profit. (Refer Page 137 of the Financial Statements for more information about the Group's foreign currency exposure) 🔴 S/T 🟡 M/T 🟡 L/T	Adopting optimal price levels to match foreign currency payouts to suppliers Prioritising imports based on how essential products are to customers and gross margins to ensure Group level margins are intact Relationships with financial institutions to ensure prioritised foreign currency allocation More strategic mitigation is required for this risk where the Group reduces its dependency on imports in the medium to long-term	Residual risk after mitigation will reduce to 'High' from 'Extremely High'. Please refer page 34 to 39 for strategy section for more information about how the strategic responses have been made to respond to critical risks 🟠 S/T 🟢 M/T 🟢 L/T
Interest rate risk Increased interest rate increasing cost of capital	**Capitals** Monetised capital **Business activities** Sourcing	As at year end, DIMO had Rs. 909 million floating rate term loans increase in interest rate by 300 basis points will have a Rs. 35 million impact on the profit. (Refer Page 137 of the Financial Statements for more information about Group's foreign currency exposure) 🔴 S/T 🟢 M/T 🟢 L/T	All business units are encouraged to re-root to cash based sales and credit sales are encouraged only when it is necessary Ensuring a proper mix of short and long-term borrowings Maintain an appropriate combination of fixed and floating rate borrowings	Residual risk after mitigation strategies will reduce to 'Medium' from 'Extremely High' 🟡 S/T 🟢 M/T 🟢 L/T
Purchasing power risk From consumer's perspective, possible reduction in demand for non-essential goods due to inflation	**Capitals** Monetised capital Social and relationship capital **Business activities** Customer engagement	Majority of DIMO's products are of a capital nature thus can be of lower priority during an economic recession. 🔴 S/T 🟡 M/T 🟢 L/T	Prioritise building up stocks at lower tier than luxury tier as consumers are expected to be price conscious In terms of long-term mitigations, DIMO commenced diversifying its product portfolio to consumables a few years ago. Agri products and medical consumables are some such examples.	Residual risk after mitigation strategies will reduce to 'High'from 'Extremely High' 🔴 S/T 🟢 M/T 🟢 L/T

🔴 Extremely High Impact 🟠 High Impact 🟡 Medium Impact 🟢 Low Impact

Risk/Uncertainty	Impact on the Value Creation	Inherent Risk	Mitigation Strategy	Residual Risk After Mitigation Strategy
Credit risk The risk of defaults in trade receivables due to the prevailing economic crisis in the country	**Capitals** Monetised capital Social and relationship capital **Business activities** Delivery	As of 31st March 2022, DIMO has a net trade receivable balance of Rs. 8,490 million. 1% default in this will have Rs. 85 million impact on profits. Chemical fertilizers and pesticide we use are of high quality and pose minimum harm to our customers. S/T M/T L/T	Encouraging cash only sales for certain businesses where possible Dedicated recovery team working closely with customers to recover due balances Fostering mutually beneficial relationships with customers Mandatory bank guarantees from high value customers	Residual risk after mitigation strategies will reduce to 'low'from 'High' S/T M/T L/T
Risks emerged/intensified due to COVID-19 virus				
Health and safety risk Risk of possible threats to customer and employee health and safety.	**Capitals** Social and relationship capital Human capital **Business activities** Customer engagement Delivery	Being an engineering-oriented organisation, the inherent risk for employee and consumer health and safety is high due to the nature of the business. S/T M/T L/T	DIMO's ISO 9001:2015 certified quality management system and ISO 45001:2018 certified health and safety management system ensure our employees and customers are safe from any possible risk.	Residual risk after mitigation strategies will reduce to 'Low' from 'High' Please refer page 52 of human capital report for more information about COVID-19 action plan for employee health and safety S/T M/T L/T
Risks Emerging/intensified due to Climate Change				
Extreme weather conditions Possible damages to people and property from natural disasters	**Capitals** Natural capital Monetised capital Social and relationship capital Human capital Intellectual capital **Business activities** Logistics Customer engagement Delivery After-care	Climate change and failure to take action is amongst the top 10 risks of the world for the next decade as identified by the World Economic Forum. S/T M/T L/T	DIMO's Environmental Management System ensures our businesses are conducted with minimum impact to the environment. All property risk is covered by comprehensive insurance policies that cover monetised capital losses from natural perils Strategic mitigation for the long-term includes DIMO venturing into sustainable business models by offering sustainable products and services to customers. i.e., Renewable Energy	This is a risk that has to be cumulatively reduced by the entire nation. The impact is thus expected to remain at 'Moderately High' level in the medium term Please refer page 34 to 39 for strategy section for more information about how the strategic responses have been made to respond to critical risks S/T M/T L/T

Extremely High Impact   High Impact   Medium Impact   Low Impact

RISK MANAGEMENT

ENTERPRISE GOVERNANCE

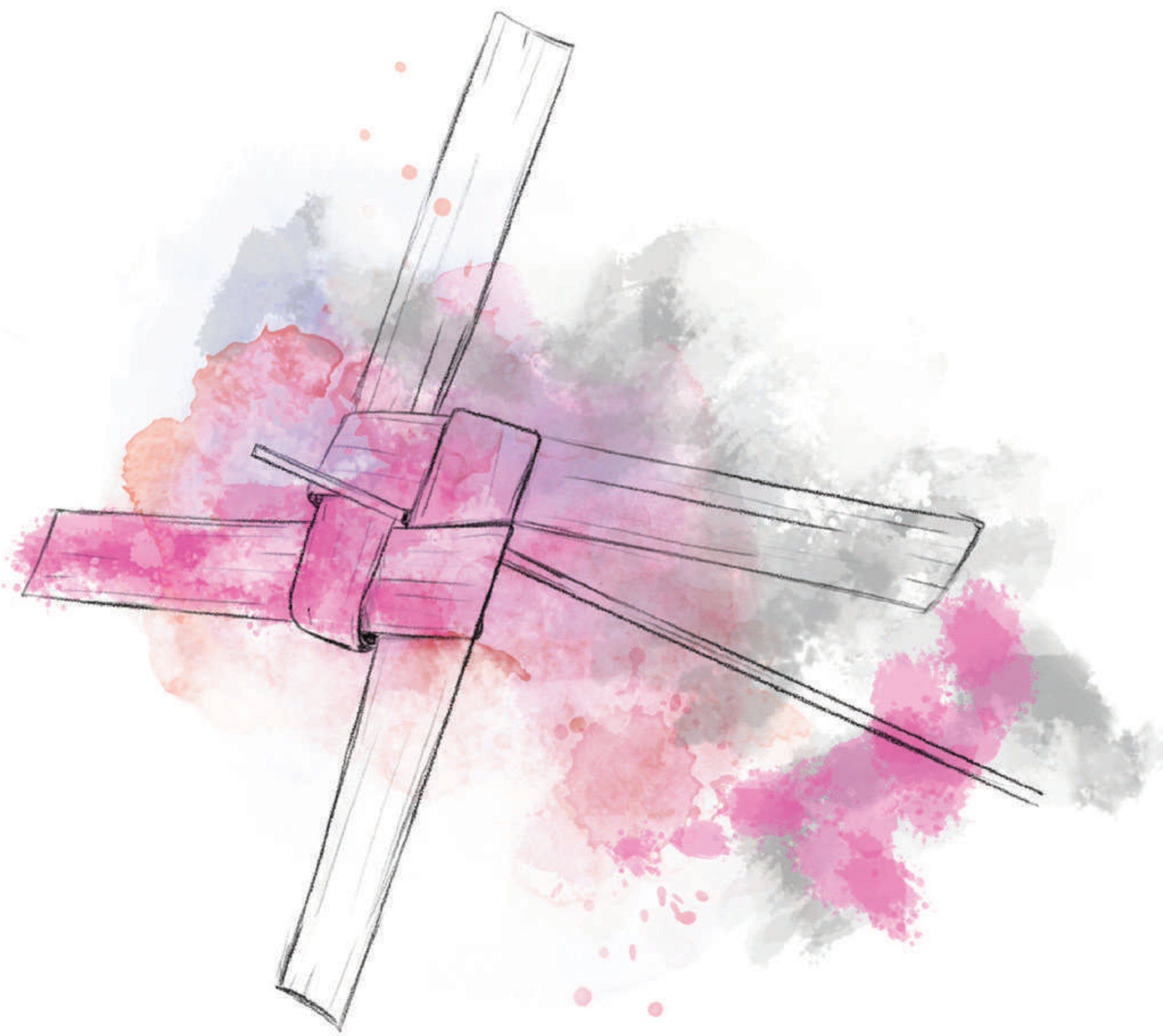
Risk/Uncertainty	Impact on the Value Creation	Inherent Risk	Mitigation Strategy	Residual Risk After Mitigation Strategy
Other Risks				
Reputational risk Failure to manage social and environmental impacts can cost us our social licence to operate and can create disruption to relationships with foreign business partners	**Capitals** Intellectual capital Monetised capital Social and relationship capital Human capital Natural capital **Business activities** Logistics Customer engagement Delivery After-care	Inherent risk of this nature is by default high due to the high number of employees and DIMO's wide spread of products and services S/T M/T L/T	The code of business conduct ensures ethical behaviour of employees. Certified quality, environmental management systems and DIMO's social accountability management system ensure timely responses to impacts Fostering mutually beneficial relationships with the community and business partners through frequent engagements	Residual risk after mitigation is reduced to 'Low' from 'Extremely High' Please refer page 56 to 58 for Intellectual Capital section for more information about DIMO brand management S/T M/T L/T
Data security and system breaches Loss of operational and confidential data due to security breaches / system breakdowns in the IT systems and disruption to operations due to breakdowns in IT systems.	**Capitals** Intellectual capital Social and relationship capital Monetised capital **Business activities** Logistics Customer engagement Solution mapping Delivery After-care	Inherent risk is by default high due to high volume of data and remote working S/T M/T L/T	Extensive controls and reviews to maintain efficiency of IT infrastructure and data Periodic technical vulnerability assessment on the corporate network and websites Regular backup of data and off-site storage of data backup systems Constantly educating the staff on the importance of information security	Residual risk after mitigation is reduced to "Low" from "Extremely High" Please refer page 110 to 122 for Statement of ESG Performance for more information about data security and governance S/T M/T L/T

Extremely High Impact   High Impact   Medium Impact   Low Impact

The reassurance of renewal

At DIMO, we continue to rely on the knowledge, learnings and sustainable principles from our past to empower a renewed purpose for the future.

The roon peththa, or coconut leaf fan is a staple of any Sri Lankan childhood. This device is built on principles of renewable energy, and relies wholly on natural materials to create a mechanism that represents our vision for a sustainable future.



ESG STATEMENT

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CONSOLIDATED STATEMENT OF ESG PERFORMANCE

	Note	2021/22	2020/21
Environmental Performance			
Resources			
Non-renewable energy consumption for operations (GJ)	2.1	57,109	45,341
Generation of renewable energy (GJ)	2.2	11,739	10,734
Water consumption for operations (m^3)	2.3	98,106	96,404
Water recycled and re-used for operations (m^3)	2.3	10,316	5,049
Waste			
Total solid non-hazardous waste (kg)	2.4	246,996	239,719
Total solid hazardous waste disposed (kg)	2.4	108,321	120,170
Emission			
Carbon emitted for operations (tCO_2e)	2.5	5,376	4,233
Voluntary Initiatives			
Investment in environment and biodiversity projects (Rs. 000)	3.8	2,425	2,425
Social Performance			
People & Employees			
Total employees	3.1	1,875	1,804
Employee turnover (%)	3.1	15.90	15.74
Female employees as a percentage of total employees (%)	3.2	10	10
Female employees in decision-making roles	3.2	50	43
Employee engagement score (out of 5)	3.3	4.20	4.06
Employee Trust Index (out of 100)	3.4	80	75
Total number of injuries	3.5	6	28
Average training hours per employee	3.6	23	19
Total employee benefits distributed (Rs. 000)	3.8	4,088,882	3,381,259
Customers and Society			
Customer Satisfaction Index (%)	3.7	92	89
Duty and tariff paid (Rs. 000)	3.8	4,427,108	2,249,543
Donations and other social contributions (Rs. 000)	3.8	24,068	21,662
Number of apprenticeships provided for technical education	3.9	582	358
Governance Performance			
Values and Ethics			
Employees trained on DIMO's code of business conduct	4.1	361	174
Number of whistle-blower cases reported and solved	4.2	3	0
Management Systems			
Number of total audits conducted on management systems	4.3	1	1
Number of non-compliances reported in management systems	4.3	0	0
Number of times the sustainability committee met	4.4	3	1
Data Privacy and Security			
Number of employees trained on data privacy	4.5	361	174

Please refer page 84 to 99 for the detailed governance report

Please refer page 76 to 82 for DIMO Sustainability Agenda 2030

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 01 – BASIS OF PREPARATION

General Reporting Standards and Principals

This ESG statement is prepared for Diesel & Motor Engineering PLC (DIMO) and for its subsidiaries where DIMO exercises management control. Information pertaining to Joint ventures is included where relevant. More information about Group entities can be viewed on page 30.

The indicators reported in the ESG statement are those that are material to the Group and reported based on guidelines provided in -

- GRI Standards issued by the Global Sustainability Standards Board (GSSB)
- International Integrated Reporting Framework (International <IR> Framework) 2021, of which the Company is a business network
- The Greenhouse Gas Protocol Corporate Standard published by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) is used to measure and report on the Group's carbon footprint
- Code of Governance Issued by Chartered Accountants of Sri Lanka – 2017

DIMO applies reporting principles highlighted in GRI standards and <IR> Framework to ensure the quality of information presented. Some key principles are highlighted below.

Materiality

DIMO considers information that is material to financial capital providers in determining DIMO's value creation ability in the short, medium, and long term. Material issues identified from key stakeholders, key aspects from the management discussions and key factors considered in PESTEL analysis provide sources for this determination.

An independent stakeholder engagement is carried out every three years and the latest engagement was conducted in year 2022. Refer page 100 to 103 for more information about stakeholder engagement.

Accuracy, completeness, and verifiability of data

Accuracy, completeness, and the verifiability of information are ensured by the certified management systems that are audited twice a year. They are -

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

Comparability

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

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 02 – ENVIRONMENTAL PERFORMANCE

2.1 Energy Consumption

Energy consumption for operations

Description	Units	Consumption		
		2021/22	2020/21	Change
Diesel for vehicles	GJ	14,297	12,389	15%
Generators	GJ	781	594	31%
Petrol for vehicles	GJ	30,826	24,402	26%
LP gas	GJ	-	11	-100%
Electricity	GJ	11,206	7,945	41%
Total	GJ	57,109	45,341	26%
Energy consumed to generate Rs. one million revenue	GJ	1.52	1.47	3%

Electricity consumption grew with the increase in operations with the normalisation of logistics after the COVID-19 pandemic.

Basis for Measurement

Energy consumption consists of consumption of power, heat, and fuel for DIMO's operations. Other than renewable energy generated internally, and the share of hydro power used through public electricity lines, all other energy source is from non-renewable sources such as crude oil, diesel, and gas. The measurement is calculated based on the meter readings and invoices.

2.2 Renewable Energy Generation

Renewable energy generation at DIMO

Location		Capacity (kWh)	Energy Generation (GJ)	
			2021/22	2020/21
DIMO Embilipitiya Solar PV Plant	Ground mounted	1,000	5,258	3,310
DIMO 800 Mercedes Benz Showroom	Rooftop mounted	600	2,718	3,211
DIMO Weliweriya	Rooftop mounted	800	2,947	3,259
DIMO Siyambalape	Rooftop mounted	220	816	954
Total		2,620	11,739	10,734

Basis for Measurement

Renewable energy is generated through solar systems installed on the roof tops of three key locations in the Western province and a ground mounted solar system in Embilipitiya. Total capacity of these systems is 2,620 kWh. The measurement is based on meter readings of the system installed to facilitate solar generation.

DIMO Commence Implementing GHG Emission Management System

As a responsible corporate that takes part in the country's sustainable development, DIMO has initiated implementing a GHG emission management system covering all its operations. In line with its Sustainability Agenda 2030, the program will initially cover locations in the Western province where the key operations are taking place and gradually will be expanded to locations outside Colombo. The management system is expected to receive ISO 14064-1 part 1 certification. Further, all DIMO's renewable energy generation plants are expected to receive ISO 14064-2 verification in the year 2022 to provide reliable accreditation for the reduction in GHG emissions through the project.

2.3 Water Consumption

Water consumption for operations

Description	Units	Consumption		
		2021/22	2020/21	Change
Municipal water	m3	61,715	75,990	-19%
Ground water	m3	25,994	15,184	71%
Rainwater harvesting	m3	81	181	-55%
Recycled water reused	m3	10,316	5,049	104%
Total	m3	98,106	96,404	2%
Total water consumed to generate Rs. one million revenue	m3	2.62	3.13	-16%

Use of municipal water was lower due to less water consumption in vehicle service divisions.

Basis for Measurement

DIMO's main water source is municipal water. Water used at the Colombo Head Office, Siyabalape, Anuradhapura and DIMO 800 MB centre are recycled as per the local environmental regulations and reused where possible. DIMO 800 MB centre has a functioning rainwater harvesting system and collected water is used for gardening purposes. Water consumption is measured based on meter readings and invoices.

2.4 Waste and Effluents

Waste generated from operations

Description	Hazardous / Non-Hazardous	Disposal Method	Units	Waste Generated		
				2021/22	2020/21	Change
Cotton waste	Hazardous	Incinerate	kgs	21,061	33,454	-37%
Paint tins	Hazardous	Incinerate	kgs	934	479	95%
Sludge	Hazardous	Incinerate	kgs	76,640	77,760	-1%
Waste oil	Hazardous	Reuse	m^3	67	99	-32%
Contaminated paper	Hazardous	Incinerate	kgs	5,677	6,671	-15%
Batteries	Hazardous	Recycle	Units	199	175	14%
Saw dust	Hazardous	Incinerate	kgs	4,009	1,806	122%
Cardboard boxes	Non-Hazardous	Recycle	kgs	50,141	39,499	27%
Metal scrap	Non-Hazardous	Recycle	kgs	40,957	51,908	-21%
Food/organic waste	Non-Hazardous	Reuse	kgs	12,896	2,058	527%
Pallet racks	Non-Hazardous	Reuse	kgs	90,285	129,125	-30%
Plastic	Non-Hazardous	Recycle	kgs	3,063	1,183	159%
Polythene	Non-Hazardous	Recycle	kgs	39,377	3,871	917%
Filters	Non-Hazardous	Recycle	kgs	28,077	21,294	32%
Metal dust	Non-Hazardous	Reuse	kgs	5,056	2,549	98%
Tyres	Non-Hazardous	Recycle	kgs	864	951	-9%
A4 paper	Non-Hazardous	Recycle	Kgs	5,222	7,720	-32%

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 02 – ENVIRONMENTAL PERFORMANCE

Majority of polythene is generated at the DIMO Fertiliser centre in Sapugaskanda. Increased operations in the premises was the key reason for the substantial increase in polythene waste. Resuming physical working arrangements is one major reason to increase in food/organic waste. Other than that, waste from vehicle service centres show a marginal reduction due to decreased throughput.

Basis for Measurement

Waste is collected and segregated using the colour coded bins placed at DIMO's premises. Waste is measured as the sum of all the waste disposed at different locations based on the weight logs and invoices received for paid waste disposal. Waste is disposed for reusing, recycling, or incinerating for energy recovery through approved suppliers of the Central Environmental Authority (CEA). Wastewater is treated, reused and the balance is released to public drainage systems after they reach approved PH level and maintain local regulations.

2.5 Emission

Carbon emission from operations

Description	Units	2021/22		2020/21	
		Consumption	Emission tCO_2e	Consumption	Emission tCO_2e
Scope 1			3,032		2,470
Diesel for vehicles - employee	Ltr	106,315	278	117,981	309
Diesel for generator	Ltr	19,789	52	15,051	39
Petrol for vehicles - employee	Ltr	774,516	1,765	671,173	1,530
Gas	Kg	-	-	225	0
Diesel for vehicle - delivery	Ltr	256,027	670	196,022	513
Petrol for vehicle - delivery	Ltr	116,510	266	34,167	78
Scope 2			2,095		1,486
Electricity	Kwh	3,112,665	2,095	2,206,896	1,486
Scope 3			249		277
Fuel utilised by outsourced party - diesel	Ltr	73,791	193	90,599	237
Business travel			14	-	12
Carbon footprint of A4 consumption	Kg	15,785	42	10,473	28
Total emission			5,376		4,233
Total emission to generate Rs. one million revenue			0.14		0.16

Increased electricity consumption is the reason for the increase in carbon emissions. However, since the Group revenue grew by 22%, the intensity ratio reduced.

Basis for Measurement

Emissions are limited to CO2 emissions from energy and do not include other greenhouse gases. The methodology of measurement of the emission follows the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (Revised Edition). Reporting is primarily under Scopes 1 and 2 with some elements of the optional Scope 3, according to data availability. Invoices and meter readings are used when measuring consumption. Assumptions are used where required to arrive at estimated quantities of consumption when exact qualities are not available.

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

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

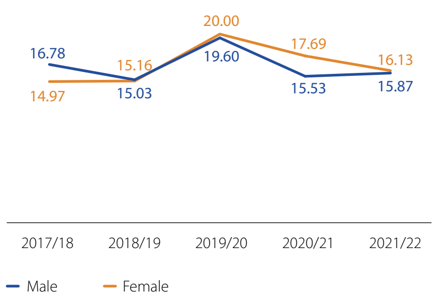
SECTION 03 – SOCIAL PERFORMANCE

3.1 Number of Employees and Employee Turnover

Employee composition as at 31st March;

Status	Gender	2022	2021
Contract	Female	12	7
	Male	179	155
Permanent	Female	182	174
	Male	1,502	1,468
Grand Total		1,875	1,804

Employee Turnover in Last Five Years



Employee turnover of the company is managed between 14% and 16%. 2019/20 shows a high employee turnover due to the employee voluntary retirement scheme introduced to vehicle sales related divisions as part of a cost optimisation plan.

Basis of Measurement

Number of employees are identified as all employees except interns and those who undergo apprenticeship as at the year-end.

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

3.2 Employee Diversity

Employee diversity as at 31st March 2022

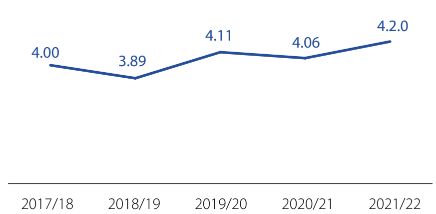
Age Group	Directors		Senior Mgt.		Middle Mgt.		Executive		Clerical/ Supervisory		Manual		Non-Ex-Contract		Total Employees	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
<20	-	-	-	-	-	-	-	-	-	-	2	-	-	-	2	
21-30	-	-	2	1	47	9	170	54	122	31	201	1	34	1	576	97
31-40	-	-	23	9	155	17	279	31	89	13	110	-	5	-	661	70
41-50	-	-	44	6	54	4	120	7	36	1	54	-	11	1	319	19
51<	9	-	13	2	17	2	37	5	13	1	16	1	15	-	20	11
Total	9	-	82	18	273	32	606	97	260	46	383	2	65	2	1,678	197

Basis of Measurement

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

3.3 Employee Engagement Score

Employee Engagement Score in Last Five Years



In the fiscal year 2021/22, DIMO achieved its highest ever employee engagement score. Increased focus on employee engagement activities was a major contributor to this improvement.

Basis of Measurement

Employee engagement survey is conducted internally and is open to all employees. The survey includes 12 questions based on the internationally recognised Gallup Q12 Employee Engagement Questionnaire. This year, 81% of all employees responded. The survey is carried out by the HR division, with proper mechanisms in place to ensure the integrity and independence of the results.

The Trust Index demonstrate the effectiveness of DIMO's employment practices in the eyes of employees. DIMO was able to achieve an average score of 80 this year, from 75 scored in 2021.

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 03 – SOCIAL PERFORMANCE

3.4 Employee Trust Index

Employee trust index – Comparison with the averages of Sri Lanka's Best 40 companies

Gender	DIMO	Sri Lanka's Best 40 Companies
I would strongly endorse my organisation to friends and family as a great place to work	86	86
Management is honest and ethical in its business practices	86	87
Taking everything into account, I would say this is a great place to work	87	88
I'm proud to tell others that I work here	91	92
This is a psychologically and emotionally healthy place to work	81	83

The Trust Index demonstrates the effectiveness of DIMO's employment practices in the eyes of employees. DIMO was able to achieve an average score of 80 this year, compared to 75 scored in 2021. Increased effort to closely engage with employees despite the challenges imposed by the COVID-19 pandemic was the key reason for this improvement.

Basis of Measurement

Employee Trust Index is an independent survey carried by the Sri Lanka's Great Place to Work Institute. The survey is open to all employees and this year DIMO recorded a respondent rate of 81% out of all employees. The trust model consists of five aspects namely credibility, respect, fairness, pride, and camaraderie.

3.5 Employee Health and Safety

Employee injuries and lost working days

Injuries/Diseases/Fatalities/Lost Working Days/Absenteeism	2021/22		2020/21	
	Rate	Total No.	Rate	Total No.
Injuries	0.0002%	6	0.0008%	28
Occupational diseases	-	Nil	-	Nil
Lost working days	0.0013%	46	0.0020%	65
Work related fatalities	-	Nil	-	Nil

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

Basis of Measurement

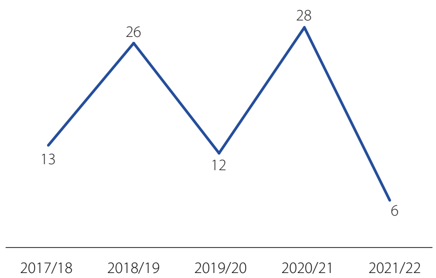
An injury is defined as non-fatal or fatal injury arising out of, or during, work. Injury rate is calculated based on the frequency of injuries, relative to the total time worked by all workers during the reporting period.

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

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

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

Number Injuries



3.6 Employee Training and Development

Average training hour per employee for year 2021/22

Category		No. of Employees	No. of Training hrs	Per Employee Training hrs per Year
Board of Directors	M	2	28	14
	F	-	-	-
	Total	**2**	**28**	**14**
Senior Management	M	17	201	12
	F	4	64	16
	Total	**21**	**265**	**28**
Middle Management	M	17	378	22
	F	4	261	65
	Total	**21**	**639**	**87**
Junior Management	M	94	2,659	28
	F	13	313	24
	Total	**107**	**2,972**	**52**
Executive	M	121	2,166	18
	F	21	1,285	61
	Total	**142**	**3,451**	**79**
Clerical/Supervisory	M	35	277	8
	F	5	38	8
	Total	**40**	**315**	**15**
Sales	M	2	20	10
	F	-	-	-
	Total	**2**	**20**	**10**
Manual	M	21	381	18
	F	-	-	-
	Total	**21**	**381**	**18**
Total	M	274	5,832	21
	F	42	1,923	46
	Total	**356**	**8,069**	**23**

The focus of the year was to recover from the lockdowns and plan out the business process re-engineering programme. Trainings were thus intentionally limited to only the mission critical programmes.

Basis of Measurement

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

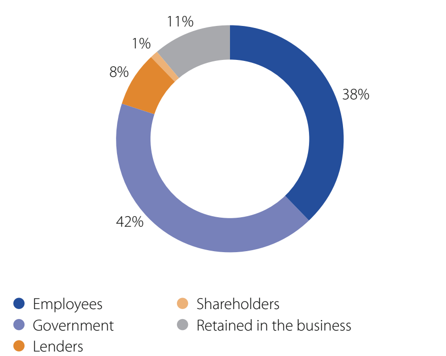
3.7 Customer Satisfaction Index

Basis of Measurement

Customer satisfaction is measured using a questionnaire filled out by customers at each business unit level, which is then consolidated at segment level and then at the Group level. For each product and service type, the questionnaire addresses areas such as delivery time, employee interaction levels, and quality covering all types of customers. The dedicated CRM division of the Group conducts the survey via telephone, email, and where relevant, one-to-one interviews. Refer page 64 to 75 for segment-wise breakup of the customer satisfaction index.

Monetised value created increased by 46% mainly due to the increase in value distributed to employees and government as tariff and other taxes. This reflects business operations returning to normalcy in post COVID era.

Monetised Value Distributed



NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 03 – SOCIAL PERFORMANCE

3.8 Statement of Monetised Value Added and Distributed

Statement of monetised value created and distributed

For the period of ('000)	Consumption 2021/22			2020/21
Gross turnover		37,507,480		30,819,014
Other income		220,499		119,156
Less: cost of material and services bought in		(27,105,298)		(23,666,631)
Monetised Value Created		10,622,681		7,271,539
Distribution of Value Added				
Employees	38%	4,088,882	46%	3,381,259
Government	42%	4,427,108	32%	2,249,543
Lenders	8%	842,042	9%	644,543
Investment in social and environmental progress	0%	26,494	0%	24,088
Shareholders	1%	110,955	0%	22,191
Retained in the business	11%	1,127,200	13%	949,915
Depreciation set aside	4%	383,785	6%	435,840
Profit retained	7%	743,415	7%	514,075
		10,622,681		7,271,539

Monetised value created increased by 46% mainly due to the increase in value distributed to employees and government as tariff and other taxes. This reflects business operations returning to normalcy in a post COVID era.

Basis of Measurement

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

Duty and Tariffs Breakdown

(Rs. 000)	2021/22	2020/21
Duty on imports	3,577,813	2,183,166
Corporate Income tax	417,628	41,145
Other taxes including value added tax	431,667	25,232
Group Total	4,427,108	2,249,543

Duty on imports depends on the HS codes of products we import. Income tax paid in last year was lower due to tax credit available. In year 2021/22, there is an increase in recoupable VAT due to which other taxes shows a significant increase.

Basis of Measurement

Duty on imports is the custom tariff the Group pays when clearing its imported goods from the customs. Corporate income tax is the direct tax charged by the government on the taxable income for the financial year. The basis on which these taxes are calculated is disclosed from page 155 to 156 in financial statements. Value added tax includes recoupable VAT the company could not recover.

The amounts are extracted from the financial accounting system and recorded based on invoices.

Voluntary Investment in Social and Environmental Progress

(Rs. 000)	2021/22	2020/21
Environmental and biodiversity projects	2,425	2,425
Social projects and donations	4,598	4,873
Investments in DATs	19,471	16,790
Group Total	26,494	24,088

Basis of Measurement

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

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

3.9 Apprenticeships Provided for Technical Education

Number of trainees enrolled during the year

	2021/22		2020/21	
(Rs. 000)	**F**	**M**	**F**	**M**
DATS	2	47	0	48
Universities/Technical institutions	97	399	47	238
Other	9	28	4	21
Total	108	474	51	307

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

Basis of Measurement

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

SECTION 04 – GOVERNANCE PERFORMANCE

4.1 Trainings on Values and Ethics

Basis of Measurement

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

4.2 Whistle-blower cases reported and solved

Basis of Measurement

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

4.3 Management Systems

Management systems and areas governed under each management system

Management System	Areas Governed	Certification
Environmental Management System	Consistent with the organisation's environmental policy, the intended outcomes of an environmental management system include enhancement of environmental performance, fulfilment of compliance obligations, achievement of environmental objectives.	ISO 14001:2015
Quality Management System	DIMO's ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements and to enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.	ISO 9001:2015
Occupational Health and Safety Management System	Consistent with the organisation's OH&S policy, the intended outcomes of an OH&S Management System include continual improvement of OH&S performance, fulfillment of legal requirements and other requirements, achievement of OH&S objectives.	ISO 45001: 2018
GHG Emission Management System	Greenhouse gas and climate change management and related activities	ISO 14064: 1 (2018) ISO 14064: 2 (2019)

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 04 – GOVERNANCE PERFORMANCE

Basis of Measurement

Environmental and social factors are integrated into daily business operations and decision-making through management systems. One internal and one Independent external audit is performed on the proper operation of the management for a year. DIMO central compliance team is the dedicated team employed to ensure this mandate.

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

4.4 Sustainability Committee Meetings

Sustainability Committee chaired by the Group Chairman meets every quarter to review the progress of the Sustainability Agenda of the Group. Group CEO, Croup CFO, Group CHRO and the Group CMO form part of this committee.

Basis of Measurement

Sustainability team has the responsibility to host quarterly meetings of the Sustainability Committee. Meeting minutes are the basis for this measurement.

4.5 Data privacy and Security

Basis of Measurement

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

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

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

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

Logs recorded with the internal audit team and the HR are the basis for this measurement.

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

KPMG

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We have been engaged by the Directors of Diesel & Motor Engineering PLC ('the Company') to provide limited assurance in respect of the Environment, Social & Governance indicators ("ESG indicators") in the ESG Statement for the year ended 31 March 2022 ('ESG Statement'). The ESG indicators are included in the Company's Integrated Annual Report for the year ended 31 March 2022 ('The Report').

The Limited Assurance ESG indicators covered by our engagement are

Limited Assurance ESG indicators	Integrated annual report page
Environmental indicators	112 to 114
Social indicators	115 to 119
Governance indicators	119 to 120

Basis for Conclusion

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- Used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Company's ESG Statement, whether due to fraud or error;
- Considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies

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

Conclusion

Based on the procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Environment, Social & Governance indicators included in the ESG Statement, as defined above, for the year ended 31 March 2022, is not presented, in all material respects, in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

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

Our responsibility

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

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

KPMG

We conducted our 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 ethical requirements in accordance with 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 ESG indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1 and maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited assurance on the ESG indicators in the ESG statements

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

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

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

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

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

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

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

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

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

9 Obtaining a letter of representation from management dated 31 May 2022 on the content of the Company's ESG statement.

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

Purpose of our report

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

Restriction of use of our report

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

kpmg

Chartered Accountants

Colombo
31st May 2022

The ability to advance

We believe it integral to augment and enhance the value of our resources, in order to achieve results, and advance in the face of adversity.

As children, we often discover value in simplicity - finding new ways to maximise joy and success by optimising the use of the resources that we have at our disposal. In doing so, we can explore new opportunities to advance and experience progress, despite the limitations that may surround us.

FINANCIAL STATEMENTS

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Board of Directors' Statement on Internal Controls 130 | Responsibility Statement of Chairman/ MD and CEO and CFO 131 | Statement of Director's Responsibility for Financial Statements 132 | Independent Auditor's report 133 | Section 1 - Financial Statements 136 | Section 2 – Corporate Information 142
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FINANCIAL CALENDAR - 2021/22

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

Three months ended 30th June 2021	16th August 2021
Six months ended 30th September 2021	16th November 2021
Nine months ended 31st December 2021	15th February 2022
Twelve months ended 31st March 2022	31st May 2022

Authorisation for issue of Audited Financial Statements for 2021/22	31st May 2022
Publication of Annual Report for the financial year ended 31 March 2022	06th June 2022
77th Annual General Meeting to be held on	29th June 2022

Dividends

First and final dividend for 2020/21 paid on	29th June 2021
First and final dividend for 2021/22 proposed to be paid on	28th June 2022

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 2022 comprising the Audited Financial Statements, Chairman's' Message, Statements of Responsibility, Auditors' Report, Independent Assurance on the Statement of ESG performance and other relevant information covered in Introductory sections and Management commentary.

The information table on 'Disclosures required by the Companies Act No. 07 of 2007' given on page 202 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 31st May 2022. The Company's Annual Report 2021/22 will be made available to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the stipulated time.

GROUP STRUCTURE AND PRINCIPAL BUSINESS ACTIVITIES

The Group Structure is available on page 30.

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 142.

STATEMENTS OF ASPIRATION, PURPOSE AND VALUES

The Company's purpose and values are available on page 20. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving Group's strategies. 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 eleven members as at 31st March 2022 and thirteen members at the time of authorising the Annual Report. Information relating to the Directors of the Company is available at https://www.dimolanka.com/pages/Board-of-Directors.html.

The names of the Directors of Subsidiary Companies are given on page 208.

New Appointments and Retirement of Directors

No Directors were appointed to the Board during the financial year.

The following Directors were appointed to the Board with effect from 30th May 2022.

Name of the Director	Executive/Non-Executive Status
C.R. Pandithage	Executive
D.N.K. Kurukulasuriya	Executive

The following Director retired from the Board on the date indicated;

Name of the Director	Executive/Non-Executive Status	Date of the Retirement
Mr. A. N. Ranasinghe	Executive	15th May 2021

Senior Independent Director

Mr. A. D. B. Talwatte functioned as the Senior Independent Director of the Company during the financial year.

RETIREMENT OF DIRECTORS BY ROTATION AND THEIR RE-ELECTION

Mr. A.D.B. Talwatte, Mr. B.C.S.A.P. Gooneratne, Mr. P.K.W. Mahendra and Mr. S.R.W.M.C. Ranawana retire by rotation in terms of the Article 66 of the Articles of Association of the Company and are eligible for re-election.

The agenda for the Annual General Meeting includes four separate ordinary resolutions to be taken up in terms of Section 210 of the Companies Act No.07 of 2007 to re-appoint Mr. A.R. Pandithage, Mr. A.M. Pandithage, Mr. J.M.De Silva and Mr. S.C. Algama who are over 70 years of age.

REVIEW OF PERFORMANCE

A review of performance and future outlook of the Group is available in the Chairman's' Message, Strategic review by the Group Chief Executive Officer and Management commentary on pages 14 to 18 and pages 32 to 82.

INCORPORATION OF A JOINT VENTURE DURING THE YEAR

On 27th July 2021, the Company incorporated a joint venture company named Azend Technologies (Private) Limited to provide Information Technology solutions. During the financial year, said company issued 2.5 million shares to Diesel & Motor Engineering PLC representing 49% of its equity.

FINANCIAL STATEMENTS

The Financial Statements of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/ LKASs) and comply with requirements of the Companies Act No. 07 of 2007 and, fulfils all disclosure requirements stipulated by above and the Listing Rules of the Colombo Stock Exchange. The Financial Statements for the year ended 31st March 2022 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 136 to 198.

FINANCIAL RESULTS AND APPROPRIATIONS

Turnover

The total gross Group turnover generated by the six business segments was Rs.37,507 million (2020/21 - Rs. 30,819 million), while the turnover of the Company was Rs. 30,087 million (2020/21 – Rs. 24,954 million). A segment wise analysis is given in Note 4.2 appearing on pages 150 to 152.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Profit and Appropriations

The Groups' profit after tax and profit attributable to equity holders of the parent for the year were Rs. 854 million (2020/21 - Rs. 536 million) and Rs.702 million (2020/21 – Rs. 487 million) respectively, whilst the profit after tax of the Company was Rs. 583 million (2020/21 – Rs. 448 million).

The Group total comprehensive income attributable to parent was Rs.753 million (2020/21 – Rs. 2,585 million) and the Company's total comprehensive income for the year was Rs. 622 million (2020/21 - Rs. 2,524 million).

Dividend and Reserves

The Company paid a first and final dividend of Rs.12.50 per share for the year ended 31st March 2021 on 29th June 2021.

A first and final dividend of Rs. 12.50 per share for the year ended 31st March 2022 was approved by the Board on 31st May 2022 and be payable on 28th June 2022. The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 immediately after the said distribution is made.

The Reserves of the Group as at 31st March 2022 amounts to Rs. 14,440 million (2020/21 – Rs.14,117 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.

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

BOARD COMMITTEES

The Board of Directors has appointed four Committees to assist the Board namely Audit Committee, 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.

BOARD AND BOARD COMMITTEE MEETINGS

The number of Board meetings held and the number of meetings attended by the Directors are given on pages 87 to 88. The number of Board Committee meetings held and the number of meetings attended by the members are given on page 88.

REVIEW OF PERFORMANCE OF THE BOARD AND BOARD COMMITTEES

The performance of the Board and that of its committees were reviewed during the year by circulating a questionnaire among the Directors. Outcome of the questionnaire were discussed during the Board Meeting, and it was concluded that performance of the Board and 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 disclosed under 'Share Information' section on pages 200 to 201.

Mr. A.D.B. Talwatte, 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 and Ms. D.N.K. Kurukulauriya who are Directors of the Company, did not hold any shares of the Company as at 31st March 2022.

INTEREST REGISTER AND DIRECTORS' INTERESTS IN CONTRACTS/ PROPOSED CONTRACTS

An Interest Register is maintained by the Company as per requirements of the Companies Act No. 07 of 2007. All Directors have made necessary declarations as provided in Section 192 (2) of the aforesaid Companies Act.

During the year, entries made in the Interest Register consisted of Directors' interests in contracts, remuneration paid to the Directors and renewal of Directors' and officers' liability insurance. The Interest Register is available at the registered office of the Company, in keeping with the requirements of 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 129 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 2022, which require specific disclosures in the 2021/22 Annual Report as required by Listing Rule 9.3.2 of the Colombo Stock Exchange.

Recurrent Related Party Transactions

There were no recurrent related party transactions of which aggregate value exceeded 10% of the consolidated revenue of the Group during the year ended 31st March 2022, which required additional disclosures in the 2021/22 Annual Report, as required by Listing Rule 9.3.2 of the Colombo Stock Exchange.

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 142 to 198.

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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

The Company's Independent External Auditors, Messrs KPMG, Chartered Accountants, who were re-appointed by a resolution passed at the last Annual General Meeting, have expressed their opinion which appears on pages 133 to 135 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 Annual Report and the statement of ESG performance which were provided in pages 121 to 122.

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 Board of Directors' Statement on Internal Controls on page 130.

MATERIAL FORESEEABLE RISK FACTORS

Information pertaining to material foreseeable risk factors are discussed on pages 104 to 108 of this annual report.

GOING CONCERN

The Board of Directors, after reviewing the Company's Business Plans, is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Companys' and its subsidiaries ability to continue to operate as going concern, details of which are available in Note 3.3 to the Financial Statements.

ENTERPRISE GOVERNANCE

Pages 84 to 93 shows the governance structure of the Group and the manner in which the Board plays its stewardship role to safeguards interests of stakeholders.

A report on compliance with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka is available in the Company website at https://www.dimolanka.com/content/Supplimentary-InformationGovernance-2022.pdf

RESPONSIBLE CORPORATE BEHAVIOUR

The Board is committed to and considers it a key priority to act responsibly towards its stakeholders and to manage economic, environmental and social impacts during value creation activities, efficiently and effectively. The Board considers that Environmental and Social Governance is strategically important aspects for the growth of the company and its subsidiaries.

HUMAN CAPITAL

Pages 51 to 55 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 disclosed under "Share Information" section on pages 200 to 201.

EQUITABLE TREATMENT OF SHAREHOLDERS

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

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given on page 207 of this Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

DONATIONS

The Group and the Company made donations during the year amounting to Rs. 3.4 million and Rs. 2.7 million respectively (2020/21 - Group: Rs. 4.8 million, Company - Rs. 4.1 million).

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group and the Company incurred Rs. 515 million and Rs. 437 million respectively (2020/21 - Group: Rs. 384 million, Company: Rs. 332 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. 5.1 million whilst the investment in intangible assets by the Company was Rs. 5 million (2020/21 – Group: Rs17.7 million, Company: Rs. 17.2 million).

MARKET VALUE OF FREEHOLD LAND

A qualified independent valuer carried out a revaluation of the Company's freehold land on 31st March 2021. The details of market value of freehold land are given in Note 4.9.1 to the Financial Statements. There is no evidence of the book value of land being substantially different from the market value of land of the Company and/or its subsidiaries as at 31st March 2022.

STATED CAPITAL

The stated capital of the Company as at 31st March 2022 amounted to Rs. 621 million (2020/21- Rs. 425 million), details of which are available in Note 4.19 to the Financial Statements.

On 07th May 2021, the Board of Directors decided to capitalize Rs. 195.3 million of its reserves as part of its stated capital by issuing 355,057 ordinary shares at a value of Rs. 550 per share. Accordingly, a bonus issue of shares were carried out on the basis of 01 share for every 25 shares held.

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 given on pages 110 to 122.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 5.4 to the Financial Statements on page 198.

ANNUAL GENERAL MEETING

The Seventy Seventh Annual General Meeting (AGM) of the Company will be held at DIMO 800, Sirimavo Bandaranaike Mawatha, Colombo 14 on 29th June 2022 at 03.00 p.m. A Notice of Meeting of the 77th Annual General Meeting is available on page 210.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by the Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

By order of the Board of Directors,

A. R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Director/Group Chief Executive Officer

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

Colombo
31st May 2022

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

FINANCIAL STATEMENTS

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 196 to 197. 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 2022 - Receivable/(*Advance Received/ Payable) (Rs.'000)	Outstanding as at 31st March 2021 - (Receivable/Payable) (Rs.'000)
Mr. A.R. Pandithage				
Dial Textile Industries Limited	Director	Sale of goods and rendering of services	83	-
Mr. A.M. Pandithage				
Advantis Projects & Engineering (Private) Limited	Director	Sale of goods and rendering of services	16,036	35,530
Alumex PLC	Director	Sale of goods and rendering of services	-	273
		Rental Charges	123	-
Dipped Products PLC	Director	Rendering of services	895	121
Fentons Limited	Director	Sale of goods and rendering of services	15,680	6,621
Haycarb PLC	Director	Sale of goods and rendering of services	184	1,129
Hayleys Advantis Limited	Director	Rendering of services	350	-
Hayleys Agriculture Holdings Limited	Director	Sales of goods and rendering of services	(3,329)*	27
		Fertilizer loan	-	(10,863)
Hayleys Aventura (Private) Limited		Rendering of services	2,698	1,581
Hayleys Fabric PLC	Director	Sale of goods and rendering of services	185	-
Hayleys Free Zone Limited	Director	Sale of goods and rendering of services	1,401	1,554
Hayleys Lifesciences (Private) Limited	Director	Sale of goods	902	-
Hayleys PLC	Director	Sale of goods and rendering of services	100	70
Horana Plantations PLC	Director	Rendering of services	785	-
Kelani Valley Plantations PLC	Director	Sale of goods and rendering of services	126	845
Logistics International Limited	Director	Sale of goods and rendering of services	12,090	163
Logiwiz Limited	Director	Sale of goods and rendering of services	26,133	1,578
Martin Bauer Hayleys (Private) Limited	Director	Sale of goods and rendering of services	398	166
Singer (Sri Lanka) PLC	Director	Sale of goods and rendering of services	7,653	3,291
Singer Industries (Ceylon) PLC	Director	Sale of goods and rendering of services	77	-
South Asia Textiles Limited	Director	Sale of goods and rendering of services	143	-
Sri Lanka Shipping Company Limited	Director	Sale of goods and rendering of services	33,143	1,497
Ravi Industries Limited	Director	Sale of goods and rendering of services	4	-
Unisyst Engineering PLC	Director	Sale of goods	21	-
Mr. A.D.B. Talwatte				
Central Finance PLC	Director	Sale of goods and rendering of services	685	326
Ceylon Hospitals PLC	Director	Sale of goods and rendering of services	471	17
Chevron Lubricants Lanka PLC	Director	Purchase of goods	(3,047)	(607)
		Rendering of services	79	120
Mr. A.D.B. Talwatte / Dr. Harsha Cabral				
Tokyo Cement Company (Lanka) PLC	Director	Sale of goods and rendering of services	613	1,866
		Purchase of goods	(136)	-
			114,545	45,305

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 Companys' 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 Groups' operations and that the Group's operations are directed towards corporate strategy, objectives, annual budget and policies taking into consideration the business environment and internal operating conditions.
- The Group Internal Audit function provides comfort on the efficiency and effectiveness of the Internal Control System of the Group and the Company. The Group Internal Audit function operates according to the annual audit plan which is reviewed and approved by the Audit Committee. 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 95 to 96.

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. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Consolidated Financial Statements for the year ended 31st March 2022 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
31st May 2022

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

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

Accordingly, we confirm that the Financial Statements of Diesel & Motor Engineering PLC and Consolidated Financial Statements of the Group as at 31st March 2022 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 133 to 135 of the Annual Report. The Auditor's Reports on the Statement of ESG Performance is available on page 110 to 122.

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

Conclusion

We confirm that we have discharged our responsibilities in maintaining proper financial records and preparing Financial Statements in accordance with SLFRSs and LKASs. To the best of our knowledge, we also confirm that procedures for managing risks and internal control was operating effectively during the financial 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
31st May 2022

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 133 to 135.

As per the provision of sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No 07 of 2007, the Directors are responsible to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Company and the Group for the financial year.

The Financial Statements comprise of:

- Statement of Profit or Loss and Other Comprehensive Income of the Group and the Company
- Statement of Financial Position of the Group and the Company
- Statement of Changes in Equity of the Group and the Company
- Statement of Cash Flows of the Group and the Company
- Notes to the Financial Statements comprising of Basis of Accounting (Section 3), Specific Accounting Policies (Section 4) and Other Disclosures (Section 5)

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

The Directors are also responsible, under section 148 of the Companies Act, to ensure that proper accounting records are kept to enable, 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 forecast for the year ending 31st March 2023 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/Chief Financial Officer

Colombo
31st May 2022

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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To the Shareholders of Diesel & Motor Engineering PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Diesel & 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, 2022, 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 136 to 198.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ('SLAuSs'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ('Code of Ethics'), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company Financial Statements and the Consolidated Financial Statements for the current period. These matters were addressed in the context of our audit of the Company Financial Statements and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

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

Risk Description	Our Response
The Group carry out its business operations in different sectors which result in high volume of revenue transactions in different revenue streams which requires judgment in some of the revenue transactions in order to determine the timing and the amount of revenue recognition. Further, in accordance with Sri Lanka Auditing Standards (SLAuS), there is a presumed fraud risk relating to revenue recognition. Revenue recognition of certain items of the Group and the Company require judgement which will increase the risk of material misstatement of revenue, contract liabilities and other related balances. We consider this as a key audit matter because of the significant judgment associated with the appropriate recognition of revenue in the correct accounting period.	Our audit procedures included; • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management key internal controls involved in the revenue recognition process including the key IT controls. • Performing detailed analysis of revenue, testing the timing of its recognition and accuracy of the amounts recognized for significant revenue streams. • Reviewing the adequacy, relevance and accuracy of the accounting policies and disclosures in the Financial Statements.

INDEPENDENT AUDITOR'S REPORT

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
The Group and Company have recognized a total impairment provision of Rs. 1,135 million and Rs. 895 million on total trade receivables of Rs. 9,625 million and Rs. 7,382 million respectively. Impairment allowances represent management's best estimate of the expected credit losses on trade receivables as at the reporting date. The calculation of impairment allowances is inherently judgmental for any institution. The Group uses both specific assessment and collective assessment for impairment and specific receivables are individually assessed for impairment by considering objective evidence and based on the expected realization of those balances. Collective impairment allowances are calculated using statistical models concurrent with the historical information on the probability of default and the timing of recoveries. The inputs to these models are subject to management judgment and model overlays are often required. Further, the prevailing uncertain and volatile macro-economic environment have an impact on the judgements considered in estimating the expected credit loss provision as of the reporting date due to the increase in the credit and the adverse macro-economic forecasts which may have an impact on the recoverability of the receivables. 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.	Our audit procedures among others included: • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key controls management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision. • Testing the completeness and accuracy of key inputs in to models and computations. Further, we assessed the reasonability of the model methodology and key assumptions. • Assessing the recoverability of a sample of customers by analyzing the credit risk, payment patterns and reviewing the underlying documents to verify cash received subsequent to year end for its effect in reducing amounts outstanding at year end and performing re-computation over the computation. • Assessing the completeness and the adequacy of the accounting policy over the impairment and related disclosures.

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

Colombo, Sri Lanka
May 31, 2022

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 2022 comprise "Company" referring to Diesel & 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 (page 137)
- Statement of Financial Position (page 138)
- Statement of Changes in Equity (page 139)
- Statement of Cash Flows (page 140)
- Notes to the Financial Statements comprising of Corporate Information (Section 2), Basis of Accounting (Section 3), Specific Accounting Policies and Notes (Section 4) and other disclosures (Section 5). (pages 142 to 198)

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 125 to 128, 132 and 138 respectively, of this Annual Report.

Authorisation of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st March 2022, were authorised for issue by the Board of Directors on 31st May 2022.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group 2022 Rs.'000	Group 2021 Rs.'000	Group Change %	Company 2022 Rs.'000	Company 2021 Rs.'000	Company Change %
Revenue	4.1	37,507,480	30,819,014	22	30,086,993	24,954,469	21
Cost of sales		(27,643,775)	(23,351,725)	18	(21,741,818)	(19,034,262)	14
Gross profit		9,863,705	7,467,289	32	8,345,175	5,920,207	41
Other operating income	4.3	220,499	119,156	85	506,333	282,720	79
Selling and distribution expenses		(497,640)	(772,374)	(36)	(518,780)	(626,291)	(17)
Impairment loss on trade receivables	4.16.1	(117,195)	(158,313)	(26)	(40,370)	(155,371)	(74)
Administrative expenses		(6,055,956)	(5,276,484)	15	(5,289,252)	(4,245,781)	25
Operating profit		3,413,413	1,379,274	147	3,003,106	1,175,484	155
Finance income		56,313	93,458	(40)	27,565	75,006	(63)
Finance costs		(2,320,011)	(733,589)	216	(2,303,824)	(609,538)	278
Net finance costs	4.4	(2,263,698)	(640,131)	254	(2,276,259)	(534,532)	326
Share of results of equity-accounted investees, net of tax	4.12.5	15,630	(19,032)	182	15,630	(19,032)	182
Profit before tax	4.5	1,165,345	720,111	62	742,477	621,920	19
Income tax expense	4.6	(310,975)	(183,845)	69	(159,500)	(173,868)	(8)
Profit for the year		854,370	536,266	59	582,977	448,052	30
Other Comprehensive Income							
Items that will not be reclassified to profit or loss in subsequent periods							
Remeasurement (loss)/gain on defined benefit obligation	4.23.1	(15,399)	47,295	(133)	(14,723)	45,727	(132)
Deferred tax reversal/(charge) on actuarial (loss)/gain	4.24.2	3,696	(11,351)	133	3,534	(10,974)	132
Revaluation of freehold land	4.9	-	2,424,015	(100)	-	2,399,072	(100)
Deferred tax charge on land revaluation		-	(354,122)	(100)	-	(351,207)	(100)
Net change in fair value of equity investments at FVOCI		2,224	(856)	360	1,415	(852)	266
		(9,479)	2,104,981	(100)	(9,774)	2,081,766	(100)
Items that are or may be reclassified to profit or loss in subsequent periods							
Foreign currency translation differences of foreign operations	4.21.2	62,471	(6,735)	1,028	48,941	(5,647)	967
		62,471	(6,735)	1,028	48,941	(5,647)	967
Total other comprehensive income, net of tax		52,992	2,098,246	(97)	39,167	2,076,119	(98)
Total comprehensive income for the year		907,362	2,634,512	(66)	622,144	2,524,171	(75)
Profit attributable to:							
Equity holders of the parent		702,119	486,713	44	582,977	448,052	30
Non-controlling interest		152,251	49,553	207	-	-	-
		854,370	536,266	59	582,977	448,052	30
Total comprehensive income attributable to:							
Equity holders of the parent		753,108	2,585,163	(71)	622,144	2,524,171	(75)
Non-controlling interest		154,254	49,349	213	-	-	-
		907,362	2,634,512	(66)	622,144	2,524,171	(75)
Basic and diluted earnings per share (Rs.)	4.7	76.06	52.72		63.15	48.54	

Figures in brackets indicate deductions.

The Notes appearing on pages 142 to 198 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Assets					
Property, plant and equipment	4.9	14,071,712	13,858,789	13,648,665	13,433,899
Right-of-use assets	4.10	624,385	479,854	548,254	405,769
Intangible assets and goodwill	4.11	316,123	145,127	194,726	20,762
Investments in subsidiaries	4.12.1	-	-	728,278	532,808
Investments in equity accounted investees	4.12.5	45,430	5,285	45,430	5,285
Equity securities	4.14	7,829	5,605	6,952	5,537
Deferred tax assets	4.24	164,436	99,795	-	-
Total non-current assets		15,229,915	14,594,455	15,172,305	14,404,060
Inventories	4.15	9,799,949	6,198,818	7,529,200	4,386,496
Trade and other receivables	4.16	9,299,796	8,380,944	6,944,985	6,271,183
Other current assets	4.17	2,032,933	1,623,958	1,149,175	1,116,400
Current tax asset	4.29	83,377	100,102	-	-
Amounts due from related parties	4.30.1	40,923	18,642	1,070,985	27,271
Cash and cash equivalents	4.18	3,818,097	1,199,232	2,337,628	848,834
Total current assets		25,075,075	17,521,696	19,031,973	12,650,184
Total assets		40,304,990	32,116,151	34,204,278	27,054,244
Equity and Liabilities					
Equity					
Stated capital	4.19	620,578	425,297	620,578	425,297
Other components of equity	4.21	6,202,697	6,140,005	6,149,097	6,098,741
Revenue reserves	4.20	8,237,608	7,976,680	6,912,926	6,647,374
Equity attributable to equity holders of the parent		15,060,883	14,541,982	13,682,601	13,171,412
Non-controlling interests		405,604	419,270	-	-
Total equity		15,466,487	14,961,252	13,682,601	13,171,412
Long-term borrowings	4.22.1	1,164,133	1,085,386	1,164,133	1,079,000
Lease liabilities	4.22.3	574,443	395,451	505,849	321,019
Employee benefits	4.23	864,286	798,008	781,892	715,839
Deferred tax liabilities	4.24	1,417,856	1,893,977	1,417,856	1,893,977
Contract liabilities	4.25.1	361,524	369,079	22,663	52,899
Total non-current liabilities		4,382,242	4,541,901	3,892,393	4,062,734
Trade and other payables	4.27	7,793,051	5,016,289	7,292,195	4,209,461
Other current liabilities	4.28	3,045,424	2,536,444	2,179,222	1,726,029
Long-term borrowings	4.22.1	564,441	403,217	559,541	383,585
Lease liabilities	4.22.3	105,140	140,543	78,039	102,086
Contract liabilities	4.25.1	1,221,572	814,131	365,358	455,590
Government grant	4.25.2	-	546,521	-	546,521
Current tax liability	4.29	503,666	93,108	441,451	79,276
Short-term borrowings	4.22.2	7,222,967	3,062,745	5,712,212	2,274,154
Amounts due to related parties	4.30.1	-	-	1,266	43,396
Total current liabilities		20,456,261	12,612,998	16,629,284	9,820,098
Total liabilities		24,838,503	17,154,899	20,521,677	13,882,832
Total equity and liabilities		40,304,990	32,116,151	34,204,278	27,054,244
Net assets per share		1,696.73	1,638.27	1,541.45	1,483.86

Certification

These Financial Statements as set out on pages 136 to 198 have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

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

The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board,

A.R. Pandithage
Chairman/Managing Director

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

31st May 2022
Colombo

The Notes appearing on pages 142 to 198 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Note	Stated Capital Rs.'000	Other Components of Equity Revaluation Reserve Rs.'000	Fair value Reserve Rs.'000	Foreign Currency Translation Reserve Rs.'000	Revenue Reserves General Reserve Rs.'000	Retained Earnings Rs.'000	Non-Controlling Interests Rs.'000	Total Rs.'000
Group									
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
Total comprehensive income									
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
		-	2,069,893	(856)	(6,531)	-	522,657	49,349	2,634,512
Dividends to equity holders									
2019/20 final dividend	4.8	-	-	-	-	-	(22,191)	-	(22,191)
		-	-	-	-	-	(22,191)	-	(22,191)
As at 31st March 2021		425,297	6,112,161	4,147	23,697	5,392,290	2,584,390	419,270	14,961,252
As at 01st April 2021		425,297	6,112,161	4,147	23,697	5,392,290	2,584,390	419,270	14,961,252
Total comprehensive income									
Profit for the year		-	-	-	-	-	702,119	152,251	854,370
Other comprehensive income, net of tax		-	-	2,224	60,468	-	(11,703)	2,003	52,992
		-	-	2,224	60,468	-	690,416	154,254	907,362
Acquisition of non-controlling interests	4.12.1.1	-	-	-	-	-	(123,252)	(167,920)	(291,172)
Capitalisation of reserves	4.19	195,281	-	-	-	-	(195,281)	-	-
Dividends to equity holders									
2020/21 final dividend	4.8	-	-	-	-	-	(110,955)	-	(110,955)
		195,281	-	-	-	-	(429,488)	(167,920)	(402,127)
As at 31st March 2022		620,578	6,112,161	6,371	84,165	5,392,290	2,845,318	405,604	15,466,487
Company									
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
		-	2,047,865	(852)	(5,647)	-	482,805	-	2,524,171
Dividends to equity holders									
2019/20 final dividend	4.8	-	-	-	-	-	(22,191)	-	(22,191)
		-	-	-	-	-	(22,191)	-	(22,191)
As at 31st March 2021		425,297	6,090,133	4,087	4,521	4,929,464	1,717,910	-	13,171,412
As at 01st April 2021		425,297	6,090,133	4,087	4,521	4,929,464	1,717,910	-	13,171,412
Total comprehensive income									
Profit for the year		-	-	-	-	-	582,977	-	582,977
Other comprehensive income, net of tax		-	-	1,415	48,941	-	(11,189)	-	39,167
		-	-	1,415	48,941	-	571,788	-	622,144
Capitalisation of reserves	4.19	195,281	-	-	-	-	(195,281)	-	-
Dividends to equity holders									
2020/21 final dividend	4.8	-	-	-	-	-	(110,955)	-	(110,955)
		195,281	-	-	-	-	(306,236)	-	(110,955)
As at 31st March 2022		620,578	6,090,133	5,502	53,462	4,929,464	1,983,462	-	13,682,601

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 142 to 198 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Cash Flows from Operating Activities					
Profit before taxation		1,165,345	720,111	742,477	621,920
Adjustments for;					
Depreciation on property, plant and equipment	4.9	383,785	435,840	325,957	339,208
Amortisation of intangible assets	4.5	11,615	10,688	8,309	7,489
Depreciation and derecognition of right-of-use assets		100,751	115,825	78,948	94,232
Unrealised loss on foreign exchange	4.22.1.1	68,030	-	68,030	-
Impairment of investments in subsidiaries	4.12.2	-	-	96,649	31,944
Gains on sale of property, plant and equipment	4.3	(21,092)	(10,678)	(22,093)	(10,845)
De-recognition of capital work-in-progress	4.9	115,358	6,806	115,358	5,565
Interest expenses	4.4	850,492	733,589	652,993	609,538
Interest income	4.4	(56,313)	(30,622)	(27,565)	(31,994)
Dividend income	4.3	(235)	(191)	(235)	(191)
Share of (gain)/loss of equity-accounted investees, net of tax	4.12.5	(15,630)	19,032	(15,630)	19,032
Impairment loss on trade receivables	4.5	117,195	158,313	40,370	155,371
Provision for/(reversal of) slow moving inventories	4.5	97,915	(17,531)	112,091	(26,465)
Provision for employee benefits obligation excluding actuarial gain	4.5.1	125,721	140,377	110,050	124,456
		2,942,937	2,281,559	2,285,709	1,939,260
Changes in working capital					
(Increase)/decrease in inventories		(3,699,046)	1,826,565	(3,254,795)	2,518,237
Increase in trade and other receivables		(835,439)	(331,833)	(714,172)	(950,904)
(Increase)/decrease in other current assets		(408,975)	461,312	(32,775)	721,054
(Increase)/decrease in amounts due from related parties		(22,281)	(841)	(1,043,714)	122,560
Increase in trade payables		2,661,826	2,414,816	2,967,798	1,996,121
Increase in other current liabilities		502,136	1,036,526	446,349	834,367
(Decrease)/increase in deferred Income		(546,521)	362,297	(546,521)	362,297
Increase/(decrease) in contract liabilities		399,886	379,389	(120,468)	118,321
(Decrease)/increase in amounts due to related parties		-	-	(42,130)	33,473
Cash generated from/(used in) operating activities		994,523	8,429,790	(54,719)	7,694,786
Interest paid		(842,042)	(761,035)	(644,543)	(636,984)
Employee benefits paid	4.23	(74,842)	(69,983)	(58,720)	(68,259)
Income tax paid	4.29	(417,628)	(41,145)	(269,912)	(3,961)
Net cash (used in)/from operating activities		(339,989)	7,557,627	(1,027,894)	6,985,582
Cash Flows from Investing Activities					
Net proceeds from sale of property, plant and equipment		43,523	25,697	43,406	25,553
Dividends received		235	191	235	191
Interest received		48,555	30,622	27,565	31,994
Investment in deposits		(192,850)	-	-	-
Investment in subsidiaries and equity accounted investees		(202,184)	-	(202,184)	-
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	(753,695)	(381,699)	(676,491)	(313,842)
Acquisition of intangible assets and capital work-in-progress	4.11	(180,630)	(17,704)	(180,449)	(17,154)
Net cash used in investing activities		(1,237,046)	(342,893)	(987,918)	(273,258)

FINANCIAL STATEMENTS

For the year ended 31st March	Note	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Cash Flows from Financing Activities					
Proceeds from long-term borrowings	4.22.1.1	652,130	1,325,000	652,130	1,300,000
Repayment of long-term borrowings	4.22.1.1	(481,796)	(332,068)	(460,678)	(331,500)
Net movement of short-term borrowings		4,154,507	(7,752,240)	3,502,787	(7,313,782)
Repayment of lease liabilities		(99,999)	(88,808)	(58,956)	(61,208)
Dividends paid	4.20	(110,955)	(22,191)	(110,955)	(22,191)
Net cash from/(used in) financing activities		4,113,887	(6,870,307)	3,524,328	(6,428,681)
Net increase in cash and cash equivalents		2,536,852	344,427	1,508,516	283,643
Cash and cash equivalents as at 01st April		1,040,328	699,526	745,684	465,390
Effect of exchange rate changes on cash and cash equivalents		76,298	(3,625)	45,007	(3,349)
Cash and cash equivalents as at 31st March (Note - A)		3,653,478	1,040,328	2,299,207	745,684
Note - A					
Analysis of cash and cash equivalents as at 31st March					
Cash and bank balances	4.18	3,818,097	1,199,232	2,337,628	848,834
Bank overdrafts	4.22.2	(164,619)	(158,904)	(38,421)	(103,150)
Cash and cash equivalents		3,653,478	1,040,328	2,299,207	745,684

Figures in brackets indicate deductions.

The Notes appearing on pages 142 to 198 form an integral part of these Financial Statements.

SECTION 2 - CORPORATE INFORMATION

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

2.1 Reporting Entity

The reporting entity is Diesel & Motor Engineering PLC (the 'Company') which is a public limited liability Company, incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the company is located at No. 65, 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 208.

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 investees are as follows:

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

Entity	Principal place of business	Principal Business Activities
The Company		
Diesel & Motor Engineering PLC	Sri Lanka	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, earth moving machinery, car parking systems, and power tools
		Import and sale of vehicle spares, components, consumer products, accessories, lamps, home appliances, paint, industrial chemicals, water pumps.
		Provide solutions in lighting, storage systems, power engineering including solar power generation systems.
		Sale and after sales in the business domains of industrial refrigeration systems, marine and rail propulsion.
		Import, repack and distribution of inorganic fertilizer and manufacture and process of organic fertilizer.
	Branch - Uganda	Provide power engineering solutions.
Subsidiaries		
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, marine and rail propulsion 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, weedicides, plant growth regulators, compound fertilizers and liquid fertilizers, and manufacture and processing of organic fertilizer
Plant Seeds (Private) Limited	Sri Lanka	Import and sale of hybrid seeds, production, processing and distribution of seed paddy, hybrid seeds and vegetable seeds, and Import, re-packing and sales of compound fertilizer
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 & 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.
Equity accounted investee		
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.
Azend Technologies (Private) Limited	Sri Lanka	Provide information technology solutions.

The country of incorporation of the above companies is the same country where the principal place of business is domiciled.

Moveflex (Private) Limited was incorporated on 10th February 2021. The business of provision of transport facilities previously carried out by Diesel & 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.

Diesel & Motor Engineering PLC acquired an additional shareholding of 19% each in PlantChem (Private) Limited and Plant Seeds (Private) Limited to bring the total shareholding of Diesel & Motor Engineering PLC in each subsidiary to 70% as at 1st July 2021.

Azend Technologies (Private) Limited was incorporated on 7th July 2021.

More details of the Group is available in the group structure on page 30.

SECTION 3 - BASIS OF ACCOUNTING

This section covers the basis of preparation of Financial Statements including policies, assumptions, judgements, estimates, and adoption of Sri Lanka Accounting Standards (SLFRSs/LKASs). Accounting policies and basis for judgements and estimates that are specific to notes in section 4, is given in the relevant note.

3.1 Statement of Compliance

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

3.2 Basis of Preparation

Basis of Measurement

The Financial Statements of the Group and Company have been prepared on historical cost basis, except for following;

Item	Basis of measurement	Note	Page No
Freehold land	Initially measured at cost and subsequently at revalued amounts which are the fair values at the date of revaluation.	4.9	157
Equity instruments at FVOCI	Fair value	4.14	177
Defined benefit obligation	Actuarially valued and recognised at present value	4.23	185

The Financial Statements, except for information on Statement of Cash Flows have been prepared following the accrual basis of accounting.

3.3 Going Concern

Management has assessed the ability of the Group to continue as a going concern. In making this assessment, the Management has considered the potential negative impact that the current economic conditions could bring to the business operation of the Group. In doing so, Management has prepared estimates of performance and the forecasted liquidity based on the likely, worst, and best-case scenarios by considering available information and economic forecasts and the available resources and assets at the Group's disposal.

The Board believes that the Group has the adequate financial strength, resources, and business plans to continue to operate the business as a going concern for the foreseeable future by mitigating the risks arising from the current economic conditions.

Therefore, the Board is of the view that the Financial Statements for the year ended 31 March 2022 should be prepared and presented as a going concern.

3.4 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the currency of the primary economic environment in which the reporting entity operates. Each entity of the Group uses the currency of the primary economic environment in which it operates as its functional currency.

The subsidiaries and equity-accounted investees whose functional currency is different from the presentation currency is given below.

Name of the Entity	Country of Domicile	Functional Currency
DIMO Lanka Company Limited	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	US Dollar
Diesel & Motor Engineering PLC - Branch	Republic of Uganda	Uganda Shilling

3.5 Materiality, Aggregation, Offsetting, Rounding and Current versus Non-Current Classification

Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are treated immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Notes to the Financial Statements are presented in a systematic manner that ensures the understandability and comparability of Financial Statements.

Offsetting

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

Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless indicated otherwise.

Current Versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

SECTION 3 - BASIS OF ACCOUNTING

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.6 Comparative Information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant, for better presentation and to be comparable with those of the current year.

3.7 Summary of Significant Accounting Judgements, Estimates and Assumptions

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

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

Judgements, estimates and assumptions made by management which have the most significant effect on the amounts recognised in these Consolidated Financial Statements are described in the following Notes.

Accounting Policy	Note
Revenue recognition	4.1
Impairment of non financial assets	3.10.3
Current tax & deferred tax asset	4.6 and 4.24
Useful life time of property, plant and equipment	4.9
Revaluation of property, plant & 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 and 4.22.3
Provisions and contingent liabilities	4.26
Consolidation	3.10.1
Equity accounted investees	4.12.5
Acquisition of subsidiary	4.12
Impairment test of goodwill	4.11

3.7.1 Uncertainty of Estimates in Preparation of Financial Statements due to the Implications of Current Economic Conditions

The current economic conditions have increased the uncertainty of estimates made in preparation of the Financial Statements. The uncertainty is associated with the expected economic downturn due to import restrictions imposed on vehicles, shortage of foreign currency for imports, exposure to interest rate increases and forex rate increases, reduced demand for products as a result of necessitated price increases, and power interruptions and fuel shortages affecting business operations.

These uncertainties, the directions, consequences, and outcomes of which are difficult to predict may impact management judgments and estimates exercised in the assessment of expected credit losses from credit portfolios and recoverable amounts of non-financial assets.

Judgments relevant to the assessment of expected credit losses and recoverable amounts of non-financial assets are further discussed in Note 4.16 and 3.10.3 to these Financial Statements.

3.8. New and Amended Standards and Interpretations

The following amended standards became effective during the financial year and adopted from 1st April 2021. However, they do not have a material effect on the Group's Financial Statements.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest rate benchmark reform (Phase 1 & 2) -("IBOR reform").

Amendments to SLFRS 16: Covid-19: Related rent concessions beyond 30th June 2021.

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 in this report.

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

Note	Accounting Policy	Page No.
4.1	Revenue	148
4.2	Operating Segments	150
4.3	Other Operating Income	153
4.4	Finance Income and Costs	153
4.5	Profit Before Tax	154
4.6	Taxation	155
4.7	Earnings Per Share-Basic and Diluted	156
4.8	Dividends	157
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4.11	Intangible Assets and Goodwill	163
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4.13	Financial Assets and Liabilities	170
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4.16	Trade and Other Receivables	178
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4.18	Cash and Cash Equivalents	180
4.19	Stated Capital	181
4.20	Revenue Reserve	181
4.21	Other Components of Equity	181
4.22	Lease Liabilities, Long-Term and Short-Term Borrowings	182
4.23	Employee Benefits	185
4.24	Deferred Tax	187
4.25	Contract Liabilities and Government Grant	190
4.26	Provisions	192
4.27	Trade Payables and Other Payables	193
4.28	Other Current Liabilities	194
4.29	Current Tax Assets and Liabilities	194
4.30	Amounts due (to)/from Subsidiaries and Equity-Accounted Investees	195

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 policy	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

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. These subsidiaries prepaired financial information as at 31st March 2022 for consolidation purpose. The reason for using a different reporting period

SECTION 3 - BASIS OF ACCOUNTING

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 losses 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. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 prevailing at the reporting date.

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

Share capital denominated in a currency other than the functional currency is initially converted using the exchange rate as at date of issue but is not re-translated.

Foreign operations

The results and financial position of entities whose functional currency is not Sri Lankan Rupee has been translated into Sri Lankan Rupees as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that Statement of Financial Position;

(ii) Income and expenses for each statement presenting Profit or Loss and Other Comprehensive Income are translated at the average exchange rates for the period.

(iii) Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

On disposal of a foreign entity, the deferred cumulative amount recognised in Other Comprehensive Income relating to that particular foreign operation is recognised in the Statement of Profit or Loss.

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 4.12.

3.10.3.1. Property, Plant and Equipment and Intangible Assets (other than Goodwill)

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

3.10.3.2. Right of Use Assets

The Group does not foresee any impairment of the right to use assets due to the prevailing and anticipate effects of the current economic conditions and does not anticipate discontinuation of any asset before the previously expected date, for which the Group possesses the right to use. Lease liabilities are not reassessed as there are no known moratoriums received for the lease payments so far.

3.10.3.3. Goodwill Impairment

The Management is of the view that a need does not exist for impairment of goodwill that arose due to the acquisition of Plant Seeds (Private) Limited during the financial year 2017/18, as the business continuity plan and the continuation of the agriculture-related activity have not seriously affected its future cash flows, despite the effects of the present economic conditions and import restrictions made for seven months during the financial year 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

3.11 New Accounting Standards Issued but not yet Effective

Following amendments to Sri Lanka Accounting Standards issued, but not 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 requirements	Possible impact on Financial Statements
Amendments to LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract	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 01st January 2022 to contracts existing at the date when the amendments are first applied. 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.	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.
Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 01st January 2022 to contracts existing at the date when the amendments are first applied. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.

3.11.1. Other Standards

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

Amendments to SLFRS 16: COVID-19 Related Rent Concessions
Annual Improvements to IFRS Standards 2018–2020
Amendments to LKAS 16: Property, Plant & Equipment - Proceeds before Intended Use
Amendments to SLFRS 3: Reference to Conceptual Framework
Amendments to LKAS 1: Classification of Liabilities as Current or Non-Current
Amendments to LKAS 1 and SLFRS practice statement 2: Disclosure of Accounting Policies
Amendments to LKAS 8: Definition of Accounting Estimates
SLFRS 17 - Insurance Contracts and amendments thereto.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

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

4.1 Revenue

Accounting Policy

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

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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

Sale of Goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, usually on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates). The Group estimates an amount of variable consideration by using the expected value method which is the sum of probability weighted amounts, in a range of possible considerations.

Rendering of Services

Revenue from rendering of services is recognised when the Group satisfies all performance obligations by transferring a promised service to a customer.

Construction Related Contracts

Revenue from construction related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group determines whether it satisfies the performance obligation over time or at a point in time. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The progress is assessed based on surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Service Support Income

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

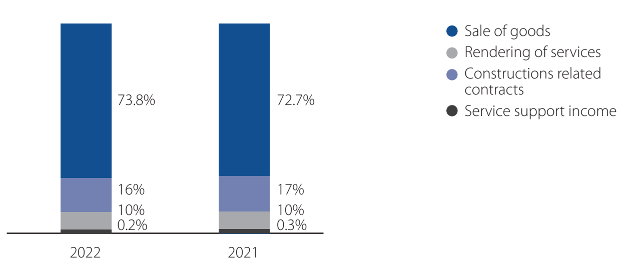
4.1.1 Disaggregation of Revenue from Contracts with Customers

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

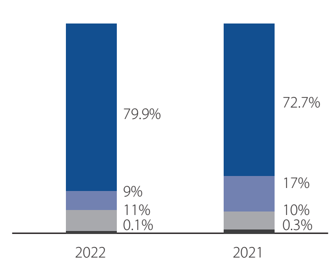
4.1.1.1. Revenue by Nature

For the year ended 31st March	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue source				
Sale of goods	27,739,929	22,347,823	24,103,094	19,454,583
Rendering of services	3,615,202	3,042,709	3,438,650	2,788,229
Constructions related contracts	6,072,983	5,343,102	2,528,494	2,651,416
Service support income	79,366	85,380	16,755	60,241
Total revenue	37,507,480	30,819,014	30,086,993	24,954,469

Revenue by Nature - Group



Revenue by Nature - Company



4.1.1.2. Timing of Revenue Recognition

For the year ended 31st March	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue recognised at a point in time	31,434,497	25,475,912	27,558,499	22,303,053
Revenue recognised over time	6,072,983	5,343,102	2,528,494	2,651,416
	37,507,480	30,819,014	30,086,993	24,954,469

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 - 2022				
	Sale of Goods	Rendering of Services	Constructions Related Contracts	Service Support Income	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vehicles	5,455,854	27,172	-	566	5,483,592
After sale services	3,725,015	2,494,518	-	-	6,219,533
Retail	5,150,614	292,661	669,138	-	6,112,413
Construction and logistical solutions	2,315,624	709,508	678,915	4,437	3,708,484
Agriculture	9,797,905	6,548	-	-	9,804,453
Engineering solutions	1,294,917	84,795	4,724,930	74,363	6,179,005
	27,739,929	3,615,202	6,072,983	79,366	37,507,480

For the year ended 31st March	Company - 2022				
	Sale of Goods	Rendering of Services	Constructions Related Contracts	Service Support Income	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vehicles	5,242,813	27,172	-	566	5,270,551
After sale services	3,725,956	2,497,451	-	-	6,223,407
Retail	5,159,515	113,176	662,460	-	5,935,151
Construction and logistical solutions	2,315,624	709,508	678,915	4,437	3,708,484
Agriculture	7,587,751	6,548	-	-	7,594,299
Engineering solutions	71,435	84,795	1,187,119	11,752	1,355,101
	24,103,094	3,438,650	2,528,494	16,755	30,086,993

For the year ended 31st March	Group - 2021				
	Sale of Goods	Rendering of Services	Constructions Related Contracts	Service Support Income	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vehicles	6,389,986	48,973	-	-	6,438,959
After sale services	2,524,185	2,364,322	-	199	4,888,706
Retail	3,523,455	47,774	1,026,559	-	4,597,788
Construction and logistical solutions	1,305,642	527,773	92,843	16,589	1,942,847
Agriculture	7,560,203	4,388	-	-	7,564,591
Engineering solutions	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

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

For the year ended 31st March	Company - 2021				
	Sale of Goods	Rendering of Services	Constructions Related Contracts	Service Support Income	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Vehicles	6,389,986	49,013	-	-	6,438,999
After sale services	2,524,775	2,109,802	-	199	4,634,776
Retail	3,495,815	47,774	1,030,310	-	4,573,899
Construction and logistical solutions	1,331,925	527,773	92,877	16,589	1,969,164
Agriculture	5,611,671	4,388	-	-	5,616,059
Engineering solutions	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

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	Sale of brand new passenger vehicles, commercial vehicles, special purpose vehicles and pre-owned passenger vehicles.
After sale services	Repair and service of vehicles included in the vehicle sales segment, sale of franchised vehicle spare parts, accessories and components.
Retail	Sale and service of power tools and accessories, lamps, lighting controls, switchgear, consumer products, fittings and accessories, home appliances, paints, tyres, original equipment manufactures/autoparts, water pumps and industrial chemicals
Construction and logistical solutions	Sale and service 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, producing and sale of agro chemicals, seeds and fertilizer.
Engineering solutions	Sale and after sales in the business domains of bio-medical engineering, generator 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 and Joint ventures with providing IT and marine solutions.

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, finance expenses and income taxes are managed on a Group basis and are not allocated to operating business segments.

Sales to any single customer does not represent more than 10% of the total sales and no segments are determined based on the geographical area.

4.2.1 Import Restriction on Vehicles

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

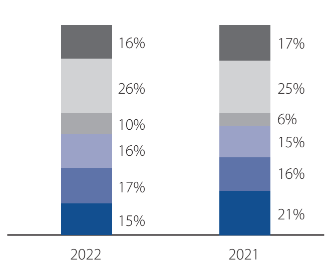
The management believes that the diversity of other sources of income and initiatives embarked upon will minimise the impact caused by the above.

Segmental Results, Assets and Liabilities

Group

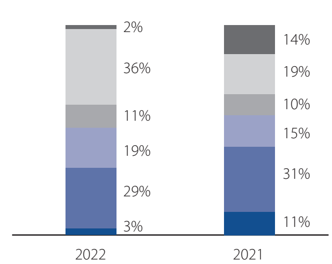
For the year ended 31st March	Vehicles 2022 Rs.'000	Vehicles 2021 Rs.'000	After sale services 2022 Rs.'000	After sale services 2021 Rs.'000	Retail 2022 Rs.'000	Retail 2021 Rs.'000	Construction and logistical solutions 2022 Rs.'000	Construction and logistical solutions 2021 Rs.'000	Agriculture 2022 Rs.'000	Agriculture 2021 Rs.'000	Engineering solutions 2022 Rs.'000	Engineering solutions 2021 Rs.'000	Total 2022 Rs.'000	Total 2021 Rs.'000
Business Segment Turnover and Results														
Total segment revenue	5,484,912	6,442,765	6,677,088	5,409,150	6,812,431	4,749,672	3,773,375	2,039,370	9,912,661	7,651,243	6,430,758	5,653,474	39,091,225	31,945,674
Inter-segment revenue	(1,320)	(3,806)	(457,555)	(520,444)	(700,018)	(151,884)	(64,891)	(96,523)	(108,208)	(86,652)	(251,753)	(267,351)	(1,583,745)	(1,126,660)
Total external revenue	5,483,592	6,438,959	6,219,533	4,888,706	6,112,413	4,597,788	3,708,484	1,942,847	9,804,453	7,564,591	6,179,005	5,386,123	37,507,480	30,819,014
Segment results	188,963	340,323	1,582,500	963,857	1,014,703	460,029	618,317	303,163	1,992,334	598,953	73,784	406,502	5,470,601	3,072,827
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	220,499	119,156
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(2,277,687)	(1,812,709)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	56,313	93,458
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(2,320,011)	(733,589)
Share of results of equity-accounted investees	-	-	-	-	-	-	-	-	-	-	15,630	(19,032)	15,630	(19,032)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(310,975)	(183,845)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	854,370	536,266
Business Segment Assets and Liabilities														
Segment assets	1,090,951	866,736	2,367,436	2,076,383	4,362,570	3,088,113	1,454,905	1,293,507	7,592,681	5,899,296	8,179,509	6,208,657	25,048,052	19,432,692
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	15,256,938	12,683,459
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	40,304,990	32,116,151
Segment liabilities	809,174	483,758	1,556,368	1,142,478	1,814,580	1,311,907	988,603	456,541	4,639,466	3,462,299	2,738,344	1,226,003	12,546,535	8,082,986
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	12,291,968	9,071,913
Equity	-	-	-	-	-	-	-	-	-	-	-	-	15,466,487	14,961,252
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	-	-	40,304,990	32,116,151
Other Information														
Capital expenditure	1,535	3,038	66,631	53,421	11,821	12,310	109,883	35,921	53,254	68,294	34,192	165,848	277,316	338,832
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	657,009	60,571
Depreciation and amortisation	34,313	37,061	82,534	96,925	26,163	18,078	12,110	11,956	73,038	83,398	43,614	37,243	271,772	284,661
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	123,628	161,867

Segment Revenue



- Vehicles
- After sale services
- Retail
- Construction and logistical solutions
- Agriculture
- Engineering solutions

Segment Results



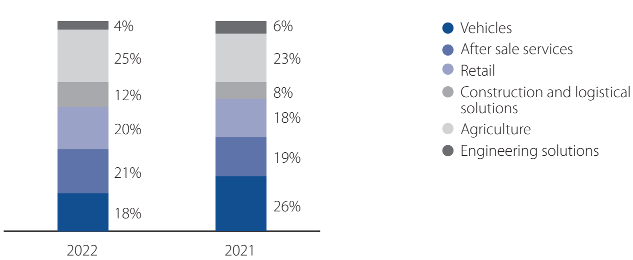
SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Segmental Results, Assets and Liabilities

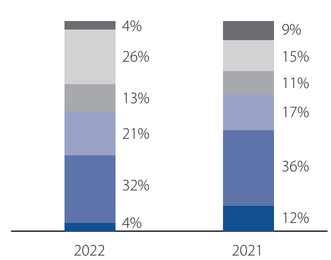
Company

For the year ended 31st March	Vehicles		After sale services		Retail		Construction and logistical solutions		Agriculture		Engineering solutions		Total	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Business Segment Turnover and Results														
Total segment revenue	5,271,869	6,442,765	6,677,089	5,148,842	6,533,243	4,703,663	3,773,375	2,039,370	7,698,274	5,701,726	1,391,185	1,744,176	31,345,035	25,780,542
Inter-segment revenue	(1,318)	(3,766)	(453,682)	(514,066)	(598,092)	(129,764)	(64,891)	(70,206)	(103,975)	(85,667)	(36,084)	(22,604)	(1,258,042)	(826,073)
Total external revenue	5,270,551	6,438,999	6,223,407	4,634,776	5,935,151	4,573,899	3,708,484	1,969,164	7,594,299	5,616,059	1,355,101	1,721,572	30,086,993	24,954,469
Segment results	215,018	336,491	1,582,500	993,377	1,002,877	456,668	618,317	303,163	1,251,687	420,842	210,158	228,409	4,880,557	2,738,950
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	506,333	282,720
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(2,368,154)	(1,865,218)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	27,565	75,006
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(2,303,824)	(609,538)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(159,500)	(173,868)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	582,977	448,052
Business Segment Assets and Liabilities														
Segment assets	878,511	856,616	2,367,436	1,878,857	4,194,103	3,075,351	1,189,209	1,293,507	5,687,516	4,523,535	2,458,318	1,385,247	16,775,093	13,013,113
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	17,429,185	14,041,131
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	34,204,278	27,054,244
Segment liabilities	592,889	483,735	1,514,918	1,009,720	1,768,773	1,311,092	646,064	456,541	3,950,276	2,788,527	678,062	142,348	9,150,982	6,191,963
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	11,370,695	7,690,869
Equity	-	-	-	-	-	-	-	-	-	-	-	-	13,682,601	13,171,412
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	-	-	34,204,278	27,054,244
Other Information														
Capital expenditure	1,535	3,038	66,631	53,421	11,821	12,310	109,883	35,921	9,600	21,269	727	149,290	200,197	275,249
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	656,743	55,747
Depreciation and amortisation	20,872	37,061	82,534	84,904	26,163	18,078	12,110	11,956	15,810	14,889	22,984	6,042	180,473	172,930
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	153,793	173,767

Segment Revenue



Segment Results



4.3 Other Operating Income

Accounting Policy

Other operating income and expenses are recognised on an accrual basis. Other operating Income and expenses comprise disposal gains/losses on sale of property, plant and equipment, dividend income, incentives from principals, management service income and sundry income.

Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted in the income statement, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

Other Operating Income

For the year ended 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Dividend income	235	191	235	191
Gains on sale of property, plant and equipment	21,092	10,678	22,093	10,845
Incentives from principals	104,288	6,754	104,288	6,754
Management service income	-	-	291,148	165,888
Sundry income	94,884	101,533	88,569	99,042
	220,499	119,156	506,333	282,720

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, leases and significant financing element of contract liabilities that are recognised in the income statement. Interest expense is recognised as it accrues using the effective interest rate (EIR).

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

Net Finance Costs

For the year ended 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Interest income	56,313	30,622	27,565	31,994
Net foreign exchange gain	-	62,836	-	43,012
Finance income	56,313	93,458	27,565	75,006
Interest on long-term borrowings	(107,197)	(84,708)	(107,197)	(84,708)
Interest on short-term borrowings	(605,626)	(531,757)	(479,957)	(461,427)
Finance charges under leases (Note 4.22.3.3)	(66,872)	(64,517)	(56,416)	(52,719)
Unwinding of significant financing component	(70,797)	(52,607)	(9,423)	(10,684)
Net foreign exchange loss	(1,469,519)	-	(1,650,831)	-
Finance costs	(2,320,011)	(733,589)	(2,303,824)	(609,538)
Net finance costs recognised in Profit or Loss	(2,263,698)	(640,131)	(2,276,259)	(534,532)

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.5 Profit Before Tax

Profit before tax is stated after charging the following:

For the year ended 31st March	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' emoluments				
- Short-term employment benefits	472,187	393,364	440,147	351,147
- Post-employment benefits	79,785	54,737	79,785	51,349
Auditors' remuneration				
- Audit and audit-related services	5,214	4,107	3,432	3,146
- Non-audit services	2,543	3,376	2,280	3,034
Depreciation on property, plant and equipment	383,785	435,840	325,957	339,208
Depreciation on right of use assets	113,978	115,825	92,176	94,232
Amortisation of intangible assets	11,615	10,688	8,309	7,489
Impairment loss on trade receivables	117,195	158,313	40,370	155,371
Provision for / (reversal of) slow moving inventories	97,915	(17,531)	112,091	(26,465)
Donations	3,416	4,804	2,789	4,105
Legal fees	15,909	16,025	14,745	15,376
Staff expenses (Note 4.5.1)	3,319,272	2,934,883	2,531,337	2,301,006

4.5.1 Staff Expenses

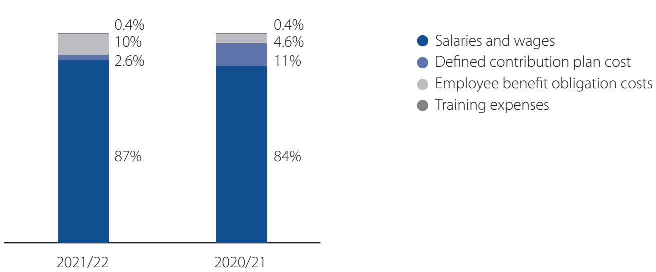
Accounting Policy

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.

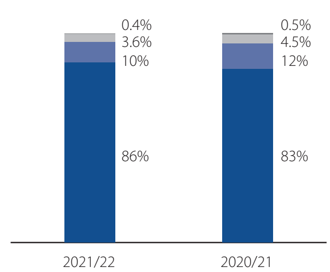
For the year ended 31st March	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Defined contribution plan cost	369,006	328,026	289,745	260,783
Employee benefit obligation costs (Note 4.23.1)	125,721	140,377	110,050	124,456
Training expenses	16,145	12,494	11,806	10,613
Salaries and wages	2,808,400	2,453,986	2,119,736	1,905,154
	3,319,272	2,934,883	2,531,337	2,301,006
Average number of employees for the year	1,840	1,860	1,435	1,475

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

Staff Expenses - Group



Staff Expenses - Company



4.6 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.

Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted on the reporting date.

Accounting Estimate

The Group recognises liabilities for anticipated tax, based on an estimate of taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

Deferred Tax

A detail disclosure of accounting policies and estimate of deferred tax are available in Note 4.24.

Sales Tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

The income tax rates of Group and Companies are as follows:

Name of the Entity	Country of Domicile	Rates
Diesel & Motor Engineering PLC	Sri Lanka	14% / 18% / 24%
DIMO (Private) Limited, DIMO Lifeline (Private) Limited, DIMO Industries (Private) Limited, DIMO Travels (Private) Limited and Moveflex (Private) Limited	Sri Lanka	14% / 24%
PlantChem (Private) Limited and Plant Seeds (Private) Limited	Sri Lanka	24% / 18%
DIMO Lanka Company Limited and United DIMO Company Limited	Republic of the Union of Myanmar	25%

Income Tax Expense

For the year ended 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Current Tax Expense				
Current tax on profit for the year (Note 4.6.1)	844,405	324,523	666,233	283,320
Current tax prior year	4,730	-	-	-
(Over)/under provision in respect of previous years	(4,224)	10,950	(34,146)	36,212
	844,911	335,473	632,087	319,532
Deferred Tax Expense				
Reversal of temporary differences (Note 4.6.2)	(533,936)	(151,628)	(472,587)	(145,664)
Total income tax expense	310,975	183,845	159,500	173,868
Effective tax rate (%)-including deferred tax	27%	26%	21%	28%
Effective tax rate (%)-excluding deferred tax	73%	47%	85%	51%

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.6.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before taxation	1,165,345	720,111	742,477	621,920
Disallowable expenses	3,837,369	2,594,360	3,269,331	2,091,171
Allowable expenses	(1,599,659)	(1,971,258)	(1,108,368)	(1,563,612)
Income not liable for tax	(256,455)	78,027	4,853	85,577
Taxable income	3,146,600	1,421,240	2,908,293	1,235,056
Income tax				
Tax at 24%	779,676	262,345	601,504	261,131
Tax at 18%	38,003	47,089	38,003	7,234
Tax at 14%	26,726	15,089	26,726	14,955
Current tax on profit for the year	844,405	324,523	666,233	283,320

Current tax has been computed in accordance with the provisions of Inland Revenue Act No 24 of 2017 and the amendments thereon.

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	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Statement of Profit or Loss (Note 4.24.2)	(533,936)	(151,628)	(472,587)	(145,664)
Other Comprehensive Income (Note 4.24.2)*	(6,826)	365,647	(3,534)	362,181
	(540,762)	214,019	(476,121)	216,517

*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 deferred tax liability of Rs. 351.0 million has been recognised at 24% on the gains recorded on revaluation of freehold land carried in the Financial Statements of 2020/21.

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	
	2022	2021	2022	2021
Profit attributable to ordinary shareholders (Rs.'000)	702,119	486,713	582,977	448,052
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.)	76.06	52.72	63.15	48.54

As per 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. 195.3 million of its reserve as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share, subject to approval from the Colombo Stock Exchange (CSE). The CSE has approved the Board's decision on 20th May 2021. Earnings per share (both basic and diluted) have been calculated considering the effect of the above decision.

* Weighted average number of ordinary shares for the purpose of earnings per share has been calculated as follows,

	2022	2021
Ordinary shares at the beginning of the year	9,231,494	8,876,437
Capitalisation of reserves	-	355,057
	9,231,494	9,231,494

4.8 Dividends

For the year ended 31st March	2022	2021
First and final dividend paid (Rs.'000)	110,955	22,191
Dividend per share (Rs.)	12.50	2.50

A first and final dividend of Rs. 12.50 per share was declared by the Board of Directors on 31st May 2022 for the financial year 2021/22 and which is to be paid on or before 28th June 2022. (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 and was paid in 2021/22).

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 2021/22

A statement of solvency completed and duly signed by the Directors on 31st May 2022. The certificate of solvency audited by Messrs KPMG, Chartered Accountants will be obtained prior to payment of the dividends.

First and Final Dividends for the Financial Year 2020/21

A statement of solvency duly signed by the Directors on 28th May 2021 was audited by Messrs KPMG, Chartered Accountants.

4.9 Property, Plant and Equipment

Accounting Policy

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably, in accordance with the Sri Lanka Accounting Standard - LKAS 16 on "Property Plant and Equipment".

Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (as explained under subsequent cost). The cost of self-constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction.

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

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

Cost Model

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

When an asset's carrying value is higher than it's recoverable amount, the carrying value is written down to its recoverable amount (Please refer Note 3.10.3 - Impairment of non-financial assets).

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Revaluation Model

The Group applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Group policy is to revalue all freehold land by an independent professional valuer every three years or when there is a substantial difference between the fair value and the carrying amount.

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through Other Comprehensive Income or used to reverse a previous loss on revaluation of the same asset, which was charged to Profit or Loss. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in Profit or Loss or charged to revaluation reserve in equity through Other Comprehensive Income, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings upon disposal of the asset.

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 an when incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in Profit or Loss in the year the asset is derecognised.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in Profit or Loss in the period in which they are incurred.

Capital Work-In-Progress

Capital work-in-progress is stated in the Statement of Financial Position at cost, including borrowing costs, less any accumulated impairment losses. Capital work-in-progress would be transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in Profit or Loss. Freehold land is not depreciated.

Depreciation of an asset begins from the date it is available for use or in respect of self constructed assets from the date that the asset is completed and ready for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

The estimated useful lives of PPE are as follows:

Class of Asset	Year
Buildings and premises	36 - 40
Buildings on leasehold land and improvements	Over the remaining lease period
Plant and machinery	04-20
Tools and implements	03-04
Motor vehicles	03-04
Furniture and fittings	04-13
Electrical fixtures and office equipment	04-10
Computer hardware and accessories	02-04

Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted if appropriate.

Carrying Value of Property, Plant and Equipment

Group

	Freehold lands and Land improvements	Buildings and Premises	Buildings on Leasehold Land and Improvements	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Accessories	Electrical Fixtures, Furniture and Fittings and Office Equipment	Total 2022	Total 2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or Revalued Amount										
At the beginning of the year	9,716,800	2,878,680	519,068	1,409,017	347,004	911,832	328,978	733,993	16,845,372	14,087,593
Revaluation	-	-	-	-	-	-	-	-	-	2,424,015
Additions	-	102,443	-	227,395	21,257	39,050	59,658	34,075	483,878	303,076
Transferred from capital work-in-progress	10,739	1,048	-	13,576	1,026	-	3,904	967	31,260	80,544
Disposals	(60)	-	-	(22,270)	(2,039)	(69,524)	(9,753)	(9,925)	(113,571)	(49,076)
Transferred to intangible assets	-	-	-	-	-	-	(17,811)	-	(17,811)	-
Transfers	-	-	-	-	-	-	(605)	605	-	-
Effect of movements in exchange rates	-	-	(12,748)	(5,428)	(1,083)	(609)	(545)	(3,576)	(23,989)	(780)
At the end of the year	9,727,479	2,982,171	506,320	1,622,290	366,165	880,749	363,826	756,139	17,205,139	16,845,372
Accumulated Depreciation										
At the beginning of the year	-	588,794	250,547	561,999	309,167	735,216	277,281	453,407	3,176,411	2,774,775
Charge for the year	-	78,130	35,296	102,264	18,313	55,168	27,057	67,557	383,785	435,840
On disposals	-	-	-	(5,759)	(1,657)	(68,606)	(6,523)	(8,595)	(91,140)	(34,057)
Transferred to intangible assets	-	-	-	-	-	-	(15,830)	-	(15,830)	-
Effect of movements in exchange rates	-	-	(3,354)	(628)	(1,059)	(296)	(869)	(566)	(6,772)	(147)
At the end of the year	-	666,924	282,489	657,876	324,764	721,482	281,116	511,803	3,446,454	3,176,411
Carrying amount before capital work-in-progress	9,727,479	2,315,247	223,831	964,414	41,401	159,267	82,710	244,336	13,758,685	13,668,961
Capital Work-in-Progress at Cost										
At the beginning of the year	10,710	161,461	4,157	11,074	-	-	925	1,501	189,828	194,001
Additions	998	60,929	-	44,025	23,955	-	122,015	17,895	269,817	92,568
Transferred to PPE	(10,739)	(1,048)	-	(13,576)	(1,026)	-	(3,904)	(967)	(31,260)	(80,544)
Transferred to intangible assets	-	-	-	-	-	-	-	-	-	(9,391)
Derecognition	-	(115,358)	-	-	-	-	-	-	(115,358)	(6,806)
At the end of the year	969	105,984	4,157	41,523	22,929	-	119,036	18,429	313,027	189,828
Carrying amount as at 31st March 2022	9,728,448	2,421,231	227,988	1,005,937	64,330	159,267	201,746	262,765	14,071,712	
Carrying amount as at 31st March 2021	9,727,510	2,451,347	272,678	858,092	37,837	176,616	52,622	282,087		13,858,789

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2021/22 (2020/21 – Nil).

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Property, Plant and Equipment

Company

	Freehold lands and Land improvements	Buildings and Premises	Buildings on Leasehold Land and Improvements	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Accessories	Electrical Fixtures, Furniture and Fittings and Office Equipment	Total 2022	Total 2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or Revalued Amount										
At the beginning of the year	9,655,500	2,867,697	335,665	1,341,480	314,611	715,915	284,934	682,027	16,197,829	13,514,424
Revaluation	-	-	-	-	-	-	-	-	-	2,399,072
Additions	-	90,385	-	197,964	12,604	39,050	43,841	23,105	406,949	264,259
Transferred from capital work-in-progress	10,739	1,048	-	13,576	1,026	-	2,944	967	30,300	67,346
Disposals	-	-	-	(22,097)	(2,039)	(38,717)	(9,400)	(1,657)	(73,910)	(47,290)
Transferred to intangible asset	-	-	-	-	-	-	(16,380)	-	(16,380)	-
Effect of movements in exchange rates	-	-	-	-	-	-	26	2,540	2,566	18
At the end of the year	9,666,239	2,959,130	335,665	1,530,923	326,202	716,248	305,965	706,982	16,547,354	16,197,829
Accumulated Depreciation										
At the beginning of the year	-	591,475	206,735	518,973	289,702	651,560	243,323	426,110	2,927,878	2,621,240
Charge for the year	-	76,832	26,348	88,860	13,729	46,106	20,723	53,359	325,957	339,208
On disposals	-	-	-	(5,654)	(1,657)	(37,798)	(6,170)	(1,318)	(52,597)	(32,582)
Transferred to intangible asset	-	-	-	-	-	-	(14,556)	-	(14,556)	-
Effect of movements in exchange rates	-	-	-	-	-	-	(14)	(147)	(161)	12
At the end of the year	-	668,307	233,083	602,179	301,774	659,868	243,306	478,004	3,186,521	2,927,878
Carrying amount before capital work-in-progress	9,666,239	2,290,823	102,582	928,744	24,428	56,380	62,659	228,978	13,360,833	13,269,951
Capital Work-in-Progress at Cost										
At the beginning of the year	10,710	136,551	4,156	11,027	-	-	-	1,504	163,948	187,276
Additions	998	60,929	-	43,980	23,955	-	121,917	17,763	269,542	49,583
Transferred to PPE	(10,739)	(1,048)	-	(13,576)	(1,026)	-	(2,944)	(967)	(30,300)	(67,346)
Derecognition	-	(115,358)	-	-	-	-	-	-	(115,358)	(5,565)
At the end of the year	969	81,074	4,156	41,431	22,929	-	118,973	18,300	287,832	163,948
Carrying amount as at 31st March 2022	9,667,208	2,371,897	106,738	970,175	47,357	56,380	181,632	247,278	13,648,665	
Carrying amount as at 31st March 2021	9,666,210	2,412,773	133,086	833,534	24,909	64,355	41,611	257,421		13,433,899

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2021/22 (2020/21 – Nil).

4.9.1 Revaluation of Freehold Land

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

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

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

p.p-per perch

* Land original extent is 2A-0R-33.29P, but valuation has been given only for 2A-0R-30.15P.

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

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

*** Represents freehold land with the installation of solar power panel.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Description of the valuation technique used together with a narrative description on sensitivity of the fair value measurement to changes in significant unobservable inputs are as follows:

Valuation Technique	Significant Unobservable Inputs	Sensitivity of Fair Value Measurement to Inputs
Market Comparable Method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, size, location or condition of the specific property.	Price per perch for land	Estimated fair value would increase/ (decrease) if the price per perch would increase/ (decrease).

4.9.2 Fully Depreciated but still in Use

The cost of fully depreciated property, plant and equipment of the Group and the Company which are still in use amounted to Rs. 1,648.6 million (2020/21 - Rs. 1,382.3 million) and Rs. 1,412.5 million (2020/21 - Rs. 1,315.7 million) respectively.

4.9.3 Property, Plant and Equipment Pledged as Security against Short term and Long-Term Bank borrowing

Land and buildings of PlantChem (Private) Limited with a carrying value of Rs. 15.2 million (2020/21 - Rs. 15.2 million) have been pledged as security against short-term and long-term borrowing obtained.

4.9.4 Permanent Fall in Value of Property, Plant and Equipment

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

4.9.5 Title Restriction on Property, Plant and Equipment

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

4.10 Right-of-Use Assets

Accounting Policy

Basis of Recognition

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

The Group uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Group applies judgements in evaluating the level of certainty whether the option of renewing the lease exits or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination options. The Group has leased land and buildings with an option to renew after the original lease period. Lease terms are modified on an individual basis and contain a wide range of different terms and conditions.

Basis of Measurement

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right of use assets are depreciated on the straight line basis over the lease term and are in the range of 2 to 60 years.

Short-term Leases and Leases of Low-Value Assets

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

Carrying value of Right-of-Use Assets

Land and Buildings	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Cost				
At the beginning of the year	733,486	615,817	615,045	577,045
Additions during the year	267,279	174,772	243,430	95,103
Derecognition of right-of-use assets	(11,006)	(57,164)	(11,005)	(57,164)
Effect of movements in exchange rates	2,236	61	2,236	61
At the end of the year	991,995	733,486	849,706	615,045
Accumulated Depreciation				
At the beginning of the year	253,632	137,807	209,276	115,044
Depreciation for the year	113,978	115,825	92,176	94,232
At the end of the year	367,610	253,632	301,452	209,276
Carrying amount at the end of the year	624,385	479,854	548,254	405,769
Right-of-use assets are presented in Financial Position as follows;				
Classified as non-current assets	624,385	479,854	548,254	405,769
	624,385	479,854	548,254	405,769

Expenses relating to short-term leases amounting to Rs. 31.8 million (2020/21- Rs. 7.9 million) has recognized in Profit or Loss.

4.11 Intangible Assets and goodwill

Accounting Policy

Basis of Recognition

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

Basis of Measurement

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

Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in Profit or Loss as an when incurred.

Useful Economic Lives, Amortisation and Impairment

Intangible assets with finite lives are amortised using the straight-line method to write down the cost over there estimated useful economic lives and are generally recognised in Profit or Loss. Goodwill and intangible assets with indefinite useful lives are not amortised. These assets are assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

The period over which intangible assets are amortised is as follows;

Class of Asset	Amortisation Period (Years)
Computer software	04-05

The above rate is consistent with the rate used in the previous years. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill Arisen through Business Combination

The Group recognised an intangible asset by way of goodwill in respect of the registered and established product portfolio, customer lists, technical expertise and distribution network acquired from acquisition of the 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 arising 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 their 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	Goodwill	Software	Total	
As at 31st March			2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
At the beginning of the year	117,623	125,608	243,231	216,136
Transferred from property, plant and equipment	-	17,811	17,811	-
Additions during the year	-	5,181	5,181	17,704
Transfers from capital work in progress - PPE	-	-	-	9,391
At the end of the year	117,623	148,600	266,223	243,231
Accumulated amortisation				
At the beginning of the year	-	98,104	98,104	87,416
Transferred from property, plant and equipment	-	15,830	15,830	-
Amortisation for the year	-	11,615	11,615	10,688
At the end of the year	-	125,549	125,549	98,104
Carrying amount before capital work-in-progress	117,623	23,051	140,674	145,127
Capital work-in-progress at cost				
At the beginning of the year	-	-	-	-
Additions during the year	-	175,449	175,449	-
At the end of the year	-	175,449	175,449	-
Carrying amount as at end of the year	117,623	198,500	316,123	145,127

Company	Software	Total	
As at 31st March		2022	2021
	Rs.'000	Rs.'000	Rs.'000
Cost			
At the beginning of the year	113,090	113,090	95,936
Transferred from property, plant and equipment	16,380	16,380	-
Additions during the year	5,000	5,000	17,154
At the end of the year	134,470	134,470	113,090
Accumulated amortisation			
At the beginning of the year	92,328	92,328	84,839
Transferred from property, plant and equipment	14,556	14,556	-
Amortisation for the year	8,309	8,309	7,489
At the end of the year	115,193	115,193	92,328
Carrying amount before capital work-in-progress	19,277	19,277	20,762
Capital work-in-progress at cost			
At the beginning of the year	-	-	-
Additions during the year	175,449	175,449	-
At the end of the year	175,449	175,449	-
Carrying amount as at end of the year	194,726	194,726	20,762

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. 102.6 million (2020/21 - Rs. 64.7 million) and Rs. 98.9 million (2020/21 - 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;

As at 31st March	2022 Rs.'000	2021 Rs.'000
Plant Seeds (Private) Limited	117,623	117,623
	117,623	117,623

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 financial year (8% - 13%)

Inflation - Based on the projected economic conditions

Discount Rate - Average market borrowing rate adjusted for risk premium (10% - 13%)

4.12 Investments in Subsidiaries and Equity-Accounted Investees

4.12.1 Investments in Subsidiaries

Accounting Policy

Investments in subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in Profit or Loss. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

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

Investment in PlantChem (Private) Limited and Plant Seed (Private) Limited

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 a part of its agriculture business expansion plan.

Based on the purchase agreement between the selling shareholders of PlantChem (Private) Limited and Plant Seeds (Private) Limited and the Company, an additional shareholding of 19% each in PlantChem (Private) Limited and Plant Seeds (Private) Limited was acquired to bring the total shareholding of the Company in each subsidiary to 70% as at 1st July 2021. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction in accordance with SLFRS 10 - Consolidation Financial Statements.

Additional ownership interest acquired in PlantChem (Private) Limited and Plant Seeds (Private) Limited are given in Note 4.12.1.1

Investment in DIMO Lifeline (Private) Limited

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.

Investment in Moveflex (Private) Limited

Diesel & 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 & 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 & Motor Engineering PLC in Myanmar. The Group has invested in the Company as part of expansion programme in automobile repair and servicing business in 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 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 as given in the Note 4.11.1.

Based on impairment assessment carried out as at 31st March 2022, it was concluded that the net realisable value of all the investments included under unquoted investments exceeds its carrying value except for investment made in DIMO Lanka Company Limited and DIMO Travels (Private) Limited. Therefore, based on an assessment made for impairment, the provision given in the 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 2022 (%)	Percentage of Holding 2021 (%)	Total 2022 Rs.'000	Total 2021 Rs.'000
Unquoted Investment - Ordinary Shares					
DIMO (Private) Limited - 25,000 ordinary shares	Investment	100	100	250	250
DIMO Industries (Private) Limited - 2,305,000 ordinary shares	Investment	100	100	23,050	23,050
DIMO Travels (Private) Limited - 9,981 ordinary shares	Investment	100	100	998	50
DIMO Lanka Company Limited - 78,000 ordinary shares	Investment	100	100	128,593	128,593
PlantChem (Private) Limited - 19,483,949 ordinary shares	Acquisition	70	51	346,258	166,827
Plant Seeds (Private) Limited - 9,027,509 ordinary shares	Acquisition	70	51	357,772	246,032
				856,921	564,802
Impairment provision (Note 4.12.2)				(128,643)	(31,994)
				728,278	532,808

Carrying Value of Investments made by the Subsidiaries

Investments by DIMO Lanka Company Limited

As at 31st March	Category	Percentage of Holding (%)	Total 2022 Rs.'000	Total 2021 Rs.'000
Unquoted Investment - Ordinary Shares				
United DIMO Company Limited - 53,760 ordinary shares*	Investment	70	-	75,045
		-	-	75,045

	2022	2021
*Carrying value of investment in United DIMO Company Limited made up as follows,		
At the beginning of the year	75,045	106,856
Impairment made during the year	(85,172)	(31,944)
Effect of movements in exchange rates	10,127	133
At the end of the year	-	75,045

The Group subsidiaries with material non-controlling interests are given in Note 4.12.4.

4.12.1.1 Acquisition of additional ownership interest - PlantChem (Private) Limited and Plant Seeds (Private) Limited

On 01st July 2021, the Company acquired an additional shareholding of 19% each in PlantChem (Private) Limited and Plant Seeds (Private) Limited, increasing its effective ownership interest to 70%. Additional interest acquired in PlantChem (Private) Limited and Plant Seeds (Private) Limited are as follows.

As at 31st March	PlantChem (Private) Limited Rs. '000	Plant Seeds (Private) Limited Rs. '000	Total Rs. '000
Cash consideration paid/payable to non-controlling shareholders	179,431	111,741	291,172
Less: Carrying value of the additional interest acquired	97,063	70,857	167,920
Difference recognised in retained earnings	82,368	40,884	123,252

Cash consideration of Rs. 176.2 million was paid to the non-controlling shareholders during the year.

4.12.2 Movement in Provision for Impairment of Investments in Subsidiaries

	2022 Rs.'000	2021 Rs.'000
At the beginning of the year	31,994	50
Impairment made during the year	96,649	31,944
At the end of the year	128,643	31,994

Opening balance of Impairment in investment in subsidiary is pertaining to DIMO Travels (Private) Limited and DIMO Lanka Company Limited, amounting to Rs. 0.05 million and Rs. 31.9 million respectively.

Considering the negative net asset position as a result of the continuing losses, the Company made a further provision of Rs. 96.6 million during the year, resulting in full provision for the investment in DIMO Lanka Company Limited.

4.12.3 Goodwill or Bargaining Purchase Arising from Acquisition of Subsidiaries in 2017/18

On 23rd February 2018, the Group acquired 51% equity interest in PlantChem (Private) Limited and 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
Total identifiable net assets at fair value	342,061	251,783
Non-controlling interest measured at fair value	167,610	123,374
Goodwill arising on acquisition	-	117,622
Bargain purchase arising on acquisition	7,624	-
Purchased consideration transferred	166,827	246,031
Net cash outflow on acquisition	391,534	310,864

At the time of acquisition, a purchase consideration was 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 purchase consideration amounted to Rs. 47.8 million & Rs.19.6 million for PlantChem (Private) Limited & Plant Seeds (Private) Limited respectively.

4.12.4 Subsidiaries with Material Non-Controlling Interests

Accounting Policy

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Statement of Profit or Loss and Other Comprehensive Income 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.

Diesel & Motor Engineering PLC has further invested Rs. 179.4 million and Rs. 111.7 million respectively in PlantChem (Private) Limited and Plant Seeds (Private) Limited during the year. Accordingly, the percentage of shareholding in subsidiaries by minority shareholders was changed.

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.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As at 31st March	United DIMO Company Limited 2022 Rs.'000	United DIMO Company Limited 2021 Rs.'000	PlantChem (Private) Limited 2022 Rs.'000	PlantChem (Private) Limited 2021 Rs.'000	Plant Seeds (Private) Limited 2022 Rs.'000	Plant Seeds (Private) Limited 2021 Rs.'000
Non-controlling interest percentage	30%	30%	30%	49%	30%	49%
Summarised Statement of Financial Position						
Current assets	149,971	104,856	1,019,349	711,505	681,127	447,456
Non-current assets	62,469	92,670	153,955	153,526	120,864	107,500
Total assets	212,440	197,526	1,173,304	865,031	801,991	554,956
Current liabilities	215,929	132,758	379,259	433,991	274,922	201,734
Non-current liabilities	-	-	17,564	31,950	3,891	14,145
Total liabilities	215,929	132,758	396,823	465,941	278,813	215,879
Net assets	(3,489)	64,768	776,481	399,090	523,178	339,077
Net assets attributable to non-controlling interest	(1,047)	19,430	232,944	195,554	156,953	166,148
Summarised Statement of Profit of Loss and Other Comprehensive Income						
Revenue	213,044	252,758	1,276,659	1,262,144	937,728	687,373
Profit after tax	(74,936)	(24,181)	378,212	128,748	183,662	16,590
Other comprehensive income	-	(681)	-	750	-	16,640
Total comprehensive income	(74,936)	(24,862)	378,212	129,498	183,662	33,230
Profit attributable to non-controlling interest	(22,481)	(7,254)	113,464	63,087	55,099	8,129
Other comprehensive income attributable to non-controlling interest	-	(204)	-	225	-	4,992
Total comprehensive income attributable to non-controlling interest	(22,481)	(7,459)	113,464	63,454	55,099	16,283
Summarised statement of cash flow						
Cash flows from/(used in) operating activities	27,833	36,170	716,342	165,696	308,180	54,221
Cash flows from/(used in) investing activities	-	(1,153)	(8,837)	(24,692)	2,670	(27,692)
Cash flows from/(used in) financing activities	(25,900)	-	(176,937)	(102,189)	(27,727)	(45,963)
Net increase in cash and cash equivalents	1,933	35,017	530,568	38,815	283,123	(19,434)

4.12.5 Equity-Accounted Investees

Accounting Policy

The Equity-accounted investees shown in the Financial Statements are Joint ventures.

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. 58.2 million. DIMO Coastline (Private) Limited is a company incorporated in Republic of Maldives and whose financial year ends on 31st December. The Group has acquired the company as part of expansion into marine and general engineering business overseas.

Investment in Azend Technologies (Private) Limited

On 9th November 2021, the Company invested Rs. 25.0 million in Azend Technologies (Private) Limited acquiring a 49% equity interest. Azend Technologies (Private) Limited is in the business of providing information technology solutions.

The following table summarises the financial information relating to DIMO Coastline (Private) Limited and Azend Technologies (Private) Limited as included in these own Financial Statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in DIMO Coastline (Private) Limited and Azend Technologies (Private) Limited.

Statement of Financial Position

As at 31st March	DIMO Coastline (Private) Limited 2022 Rs.'000	DIMO Coastline (Private) Limited 2021 Rs.'000	Azend Technologies (Private) Limited 2022 Rs.'000	Azend Technologies (Private) Limited 2021 Rs.'000
Percentage ownership interest	40%	40%	49%	
Non-current assets	303,748	235,275	46,693	-
Current assets	232,950	102,184	32,779	-
Total assets	536,698	337,459	79,472	-
Current liabilities	497,181	324,248	19,019	-
Total liabilities	497,181	324,248	19,019	-
Net assets (100%)	39,517	13,211	60,453	-
Group's share of net assets	15,808	5,285	29,622	-
Carrying amount of interest in equity-accounted investees	15,808	5,285	29,622	-
Statement of Profit or Loss and Other Comprehensive Income				
Revenue	370,544	159,311	65,957	-
Depreciation	(34,729)	(29,016)	1,086	-
Interest expense	22,909	18,884	75	-
Profit/(loss) after tax	27,519	(47,580)	9,433	-
Total comprehensive income (100%)	27,519	(47,580)	9,433	-
Group's Share of results of equity accounted investees, net of tax	11,008	(19,032)	4,622	-

The joint ventures had no contingent liabilities or capital commitments as at 31st March 2022 (2020/21 - Nil).

Reconciliations of Summarised Financial Information

Reconciliation of the above summarised financial information to the carrying amount of the interest in equity accounted investees recognised in the Financial Statements is as follows;

	DIMO Coastline (Private) Limited 2022 Rs.'000	DIMO Coastline (Private) Limited 2021 Rs.'000	Azend Technologies (Private) Limited 2022 Rs.'000	Azend Technologies (Private) Limited 2021 Rs.'000	Total 2022 Rs.'000	Total 2021 Rs.'000
At the beginning of the year	5,285	26,620	-	-	5,285	26,620
Investment made during the year	-	-	25,000	-	25,000	-
Group's Share of profit/(loss) recognised in Statement of Profit or Loss and Other Comprehensive Income	11,008	(19,032)	4,622	-	15,630	(19,032)
Effect of movements in exchange rates	(485)	(2,303)	-	-	(485)	(2,303)
Carrying amount of interest in equity-accounted investees	15,808	5,285	29,622	-	45,430	5,285

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.13 Financial Assets and Financial Liabilities

Accounting Policies

Financial Assets

Recognition and Initial Measurement

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

Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group 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 Group 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 Other Comprehensive Income. This election is made on an investment-by-investment basis.

Financial Asset at Amortised Cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Group's financial assets classified and measured at amortised cost are limited to its trade and other receivables, amounts due from related parties and cash & cash equivalents.

Subsequent Measurement and Gains and Losses

Subsequent measurement of Group's financial assets are as follows;

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in Profit or Loss. Any gain or loss on derecognition is recognised in Profit or Loss
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in Other Comprehensive Income and are never reclassified to Profit or Loss.

Derecognition of Financial Assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in Profit or Loss.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading at the initial recognition. Financial liabilities at FVTPL are measured at fair value and any resulting gains and losses, including any interest expense, are recognised in Profit or Loss.

The Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

Subsequent Measurement

Other financial liabilities are subsequently measured at amortised cost. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in Profit or Loss.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method minus any reduction for impairment.

Details of financial liabilities recognised in the Statement of Financial Position are given in Notes 4.22 and 4.27 on pages 182 and 193.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.13.1 Financial Assets and Liabilities by Category

Financial Assets

As at 31st March	Note	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
i. Financial assets at amortized cost					
- Trade and other receivables	4.16	9,299,796	8,380,944	6,944,985	6,271,183
- Cash and cash equivalents	4.18	3,818,097	1,199,232	2,337,628	848,834
- Amounts due from subsidiaries	4.30.1	-	-	1,030,062	8,629
- Amount due from equity accounted investees	4.30.1	40,923	18,642	40,923	18,642
ii. Financial assets designated at fair value through Other Comprehensive Income					
- Equity instruments	4.15	7,829	5,605	6,952	5,537
Total financial assets		13,166,645	9,604,423	10,360,550	7,152,825

Financial Liabilities

As at 31st March	Note	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
i. Financial liabilities at fair value through profit or loss		-	-	-	-
ii. Financial liabilities: interest-bearing loans and borrowings					
- Current portion of long-term borrowings	4.22.1	564,441	403,217	559,541	383,585
- Non current portion of long-term borrowings	4.22.1	1,164,133	1,085,386	1,164,133	1,079,000
- Current portion of lease liabilities	4.22.3	105,140	140,543	78,039	102,086
- Non current portion of lease liabilities	4.22.3	574,443	395,451	505,849	321,019
- Short-term borrowings	4.22.2	7,222,967	3,062,745	5,712,212	2,274,154
iii. Other financial liabilities at amortized cost					
- Trade and other payables	4.27	7,793,051	5,016,289	7,292,195	4,209,461
- Amounts due to related parties	4.30.1	-	-	1,266	43,396
Total financial liabilities		17,424,175	10,103,631	15,313,235	8,412,701

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.13.2 Fair Value of Assets and Liabilities

Accounting Policies

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability,

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Fair Value Hierarchy

Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments;

Level 2: Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Valuation techniques that use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

For assets and liabilities that are recognised in the Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The Group held the following financial and non-financial assets carried at fair value in the Statement of Financial Position.

As at 31st March			Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Financial Assets						
FVOCI - equity instruments	Level 1	Quoted prices in active markets	7,829	5,605	6,952	5,537
Non-Financial Assets						
Freehold land	Level 3	Significant unobservable inputs	9,727,479	9,716,800	9,666,239	9,655,500

There were no transfers between level 1 and level 2 fair value measurements during the financial year 2021/22.

Fair Values

The following method and assumptions were used to measure the fair value.

- The fair value of equity instruments at FVOCI was determined based on the active market price as at the reporting date.
- The fair value of financial assets and financial liabilities at amortized cost does not materially deviate from carrying value based on amortised cost methodology as at the reporting date.
- The fair values of the following financial instruments are assumed as approximate their carrying amounts largely due to the short-term maturities of these instruments.
  - Trade and other receivables
  - Amounts due from/(to) related parties
  - Cash and cash equivalents
  - Trade and other payables

The valuation technique and inputs used in measuring the fair value of freehold land are given in Note 4.9.1.

4.13.3 Financial Risk Management

The Group has exposure mainly to the following risks from financial instruments:

a. Market risk
b. Credit risk
c. Liquidity risk

Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management process. The Group's risk management process identifies and analyses the risks it faces, establishes appropriate risk limits and controls, and monitors and manages events that could have a substantial impact on capital and earnings.

The overall objectives and policies for the Group's financial risk management are as per the internal treasury practices. It will cover foreign exchange policy, investment policy, financing policy and policies on credit risk and risk limits.

The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee. Further details of management of risk is available from pages 104 to 108.

(a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk from the cash flows of overseas operations and foreign currency transactions and balances which are affected by foreign exchange movements.

Being imports oriented, fluctuations in foreign currency exchange rates have a significant impact on the cost of materials and the stocks purchased by the Group Companies. The Group's Financial Statements which are presented in LKR, are affected by foreign exchange fluctuations through both translation risk and transaction risk.

The Sri Lankan Rupee was pegged against the US Dollar during the year with tight exchange control moves by the Central Bank of Sri Lanka (CBSL). However, CBSL abandoned the pegged exchange rate in March 2022 which resulted in a steep depreciation of the LKR by 31st March 2022. In addition to the sharp depreciation of the currency, there were significant challenges in the foreign currency market with dwindling foreign currency reserves creating a liquidity shortage in the market. This resulted in tightening of foreign exchange and import control regulations with measures such as imposing of import control licences, mandatory foreign currency conversions, restricting certain payment terms and imposing cash margin requirements for certain imports with the aim of improving market liquidity. However, the adverse foreign exchange reserve position and rating downgrades contingent to the pre-emptive default and proposed debt restructuring resulted in a sharp reduction in foreign currency inflows worsening the liquidity situation.

Group Treasury closely monitors the behaviour of exchange rates and the market conditions to provide continuous market updates to Group Management Committee (GMC) and Cluster Heads to make timely decisions. Group Treasury also proactively adopted prudent measures to mitigate the adverse impacts arising from such constraints and currency fluctuations by matching foreign currency liabilities with foreign currency assets wherever possible and by leveraging on the strong relationships the Group maintains with the Financial Institutions. With the conscious strategy of the Group to preserve foreign currency cash balances and the decision to invoice certain customers in foreign currency, Group managed to create natural hedges to the extent possible mitigating the foreign currency risk.

The overall objective of currency risk management is to reduce the short-term negative impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results.

The following table demonstrates Group exposure to currency risk as at the reporting date.

Sensitivity Analysis - Based on Exchange Rate Fluctuation

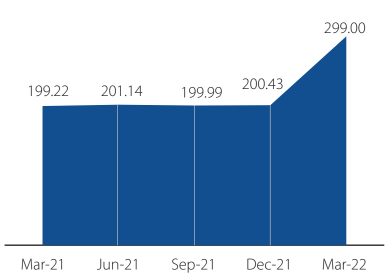
The main foreign currencies that the Group transacts in are the US dollar and the Euro. The following tables demonstrate the sensitivity to a possible change in the US dollar and Euro exchange rate, with all other variables held constant. The analysis relates only to assets and liabilities shown in Financial Statements as at 31st March 2022.

Impact to the Profitability

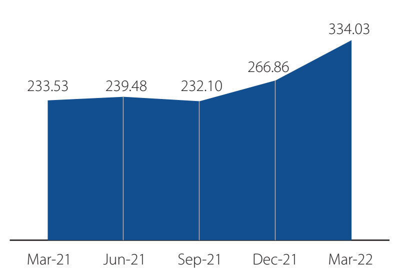
	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
US Dollar (USD)				
Appreciation 21% (2020/21 - 6%)	626,039	69,054	787,411	88,773
Depreciation 21% (2020/21 - 6%)	(626,039)	(69,054)	(787,411)	(88,773)
Euro (EUR)				
Appreciation 21% (2020/21 - 6%)	(205)	(2,780)	17,091	13,942
Depreciation 21% (2020/21 - 6%)	205	2,780	(17,091)	(13,942)

The Group's exposure to foreign currency changes for all other currencies is not material.

Movement in Exchange Rate -USD



Movement in Exchange Rate - EUR



SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are mostly linked to floating interest rates based on AWPLR. For Long Term funding needs the Group maintains an appropriate mix of fixed and floating interest rates. Cap & floor arrangements are also negotiated wherever appropriate for Long-Term Borrowings on floating rates. Group Treasury closely monitors the interest rate fluctuations in the market and negotiates favourable rates on borrowing to manage interest rate risk.

The interest rate profile of the Group's long-term borrowings are disclosed in the Note 4.22.1.2.

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of term loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

Impact to the Profitability

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
LKR borrowings				
Increase in 300 Basis Points *	(34,542)	(35,091)	(34,542)	(35,060)
Decrease in 300 Basis Points *	34,542	35,091	34,542	35,060

*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 2021/22.

(iii) Equity Price Risk

The Group is exposed to equity price risk because of investments in quoted shares held by the Group classified as equity instruments at FVOCI.

The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Group's trade receivables.

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

The Group has taken necessary steps to monitor creditors more closely and frequently to ensure that the payables are settled on time.

Credit risk associated with the Group's trade receivables due to the current economic conditions is disclosed in Note. 3.7.1.

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	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	9,299,796	8,380,944	6,944,985	6,271,183
Amounts due from related parties	40,923	18,642	1,070,985	27,271
Cash at bank	3,746,355	1,137,959	2,278,802	799,770
Total credit risk exposure	13,087,074	9,537,545	10,294,772	7,098,224

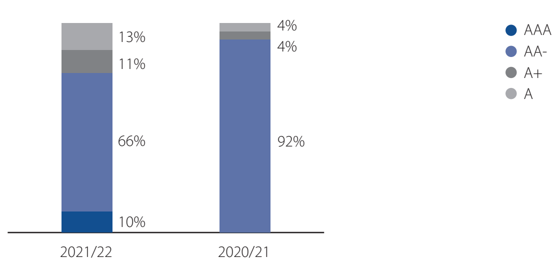
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative 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.

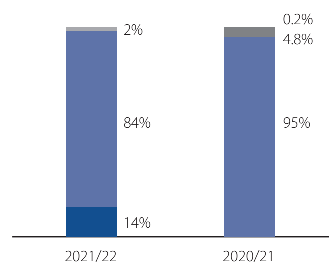
Balances with Banks

As at 31st March	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fitch Rating				
AAA	373,147	-	308,862	-
AA-	2,463,261	1,046,115	1,929,670	756,539
A+	410,475	50,736	308	41,566
A	499,472	41,108	39,962	1,665
Total bank balances (Note 4.18)	3,746,355	1,137,959	2,278,802	799,770

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 managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to meet any unforeseen obligations and opportunities without incurring unacceptable losses or risking damage to the Group's reputation. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to sources of funding is sufficiently available under both normal and stressed conditions.

The Group considered that Cash flow scrutiny is paramount in the days and months ahead and has adopted a disciplined approach across the Group including setting up of Group-wide spend control, reducing operating costs and deferring capital expenditure to secure the financial position of the Group. If required Group had unutilised bank facilities as at 31st March 2022 amounting to Rs. 6,190.10 million.

Given below is the summary of the maturity profile of the Group's and Company's financial liabilities based on contractual payments as at the reporting date.

As at 31st March 2022	Group			
	Within 1 year	Between 1-5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Long-term borrowings	759,014	1,462,132	-	2,221,146
Short-term borrowings	7,674,823	-	-	7,674,823
Lease liabilities	216,667	442,884	398,823	1,058,375
Trade and other payables	7,793,051	-	-	7,793,051

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

As at 31st March 2022	Company			
	Within 1 year Rs.'000	Between 1-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Long-term borrowings	754,114	1,462,132	-	2,216,246
Short-term borrowings	6,174,634	-	-	6,174,634
Lease liabilities	128,617	371,661	394,591	894,869
Trade and other payables	7,292,195	-	-	7,292,195
Amounts due to related parties	1,266	-	-	1,266

As at 31st March 2021	Group			
	Within 1 year Rs.'000	Between 1-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Long-term borrowings	487,925	1,477,317	-	1,965,242
Short-term borrowings	3,583,407	-	-	3,583,407
Lease liabilities	150,282	510,513	501,905	1,162,700
Trade and other payables	5,016,289	-	-	5,016,289

As at 31st March 2021	Company			
	Within 1 year Rs.'000	Between 1-5 years Rs.'000	More than 5 years Rs.'000	Total Rs.'000
Long-term borrowings	468,293	1,470,931	-	1,939,224
Short-term borrowings	2,756,625	-	-	2,756,625
Lease liabilities	124,784	424,393	321,599	870,776
Trade and other payables	4,209,461	-	-	4,209,461
Amounts due to related parties	43,396	-	-	43,396

4.13.4 Capital Risk Management

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

a. Appropriately allocate capital to meet strategic objectives.

b. Enable the Group to face any economic downturn/ crisis situation.

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

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

Given below is a summary of the capital structure of the Group and the Company as follows:

As at 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Long-term borrowings (Note 4.22.1.1)	1,728,574	1,488,603	1,723,674	1,462,585
Equity	15,060,883	14,541,982	13,682,601	13,171,412
Total equity and long-term borrowings	16,789,457	16,030,585	15,406,275	14,633,997
Gearing ratio	10%	9%	11%	10%

4.14 Equity Securities

Accounting Policy

After initial measurement, Equity Securities are subsequently measured at fair value. Dividends are recognized as income in Profit or Loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains or losses are recognized in Other Comprehensive Income and are never reclassified to Profit or Loss.

The fair values of quoted shares are based on bid prices at the end of the reporting period.

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

	Group					Company				
	No. of Shares	Market Value per Share	Total Cost	Fair Value		No. of Shares	Market Value per Share	Total Cost	Fair Value	
As at 31st March		2022		2022	2021		2022		2022	2021
		Rs.	Rs.'000	Rs.'000	Rs.'000		Rs.	Rs.'000	Rs.'000	Rs.'000
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	1,950	14	1,755	136	450	1,950	7	878	68
Hatton National Bank PLC (non-voting)	38,262	105	700	4,018	3,599	38,262	105	700	4,018	3,599
Ceylinco Insurance PLC (non-voting)	1,700	1,210	298	2,056	1,870	1,700	1,210	298	2,056	1,870
			1,012	7,829	5,605			1,005	6,952	5,537

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 is 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

	Group		Company	
As at 31st March	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw material	1,538,277	325,674	1,455,976	116,232
Stock-in-trade and finish goods	5,655,673	3,948,191	5,349,389	3,539,409
Work-in-progress	2,607,209	1,369,782	763,795	311,613
Provision for slow moving inventories (Note 4.15.1)	(513,868)	(415,953)	(432,821)	(320,730)
	9,287,291	5,227,694	7,136,339	3,646,524
Goods-in-transit	512,658	971,124	392,861	739,972
Total inventories at the lower of cost and net realisable value	9,799,949	6,198,818	7,529,200	4,386,496

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.15.1 Movement in Provision for Slow Moving Inventories

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
At the beginning of the year	415,953	433,484	320,730	347,195
Provision for/(reversal of) slow moving inventories	97,915	(17,531)	112,091	(26,465)
At the end of the year	513,868	415,953	432,821	320,730

Details of 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 2021/22 (2020/21 - Nil)

4.16 Trade and Other Receivables

Accounting Policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Accounting Estimate - Provision for Impairment

Group makes impairment for receivables based on the simplified approach to provide for Expected Credit Losses (ECLs) as per SLFRS 9, which permits the use of the 12 months expected loss provision for all trade receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The allowance is provided by considering evidence of impairment for receivables at both an individual asset and at a collective level. All individually significant receivables are individually assessed for impairment by considering objective evidence i.e. experiencing a significant financial difficulty or default in payments by a customer. All individually insignificant debtors and based on management judgment, similar risk characteristic debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping them together based on similar risk characteristics

In assessing collective impairment, the Group uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred, and makes an adjustment if current and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

Carrying Value of Trade and Other Receivables

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Trade receivables	9,624,913	9,360,339	7,381,610	7,090,929
Provision for impairment (Note 4.16.1)	(1,135,298)	(1,123,532)	(895,436)	(953,100)
	8,489,615	8,236,807	6,486,174	6,137,829
Other receivables	29,446	6,231	29,583	6,398
Deposits	780,735	137,906	429,228	126,956
	9,299,796	8,380,944	6,944,985	6,271,183

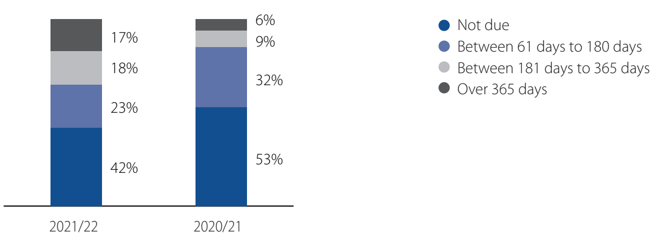
4.16.1 Movement in Provision for Impairment of Trade Receivables

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
At the beginning of the year	1,123,532	965,231	953,100	797,729
Provision made during the year	117,195	158,313	40,370	155,371
Write-off during the year	(105,429)	(12)	(98,034)	-
At the end of the year	1,135,298	1,123,532	895,436	953,100

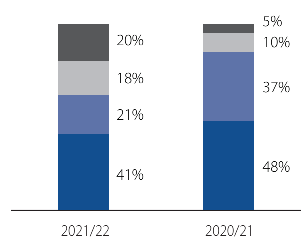
4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

		Neither Past due nor Impaired	Past due but not Impaired 61-180	181-365	>365	Provision for Impairment	Gross Trade Receivables
Group	2022	3,670,140	2,001,862	1,530,421	1,287,192	1,135,298	9,624,913
	2021	4,352,709	2,642,577	777,086	464,435	1,123,532	9,360,339
Company	2022	2,730,247	1,315,638	1,185,022	1,255,267	895,436	7,381,610
	2021	2,960,387	2,244,087	644,402	288,953	953,100	7,090,929

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 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Currency				
Sri Lankan Rupees	7,362,476	7,326,346	5,941,303	5,493,795
US Dollar	601,596	788,173	361,120	549,815
Euro	214,225	97,043	183,480	80,384
Japanese Yen	271	-	271	-
Other	311,047	25,245	-	13,835
	8,489,615	8,236,807	6,486,174	6,137,829

Banking facilities for subsidiaries, PlantChem (Private) Limited and Plant Seeds (Private) Limited have been obtained by providing a concurrent mortgage on book debts and inventories.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.16.4 Terms of Trade and Other Receivables

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

4.17 Other Current Assets

Accounting Policy

The Group classifies all non financial current assets under other current assets. Other current assets mainly comprise of advances, prepayments, statutory receivables and other miscellaneous receivables.

Advances and prepayments are carried at historical value less provision for impairment. Prepayments are amortised over the period during which it is utilised and carried at historical value less amortisation charge and any impairment.

Carrying Value of Other Current Assets

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Advances and prepayments	1,855,642	1,412,728	1,109,104	1,005,666
Other receivables	177,291	211,230	40,071	110,734
	2,032,933	1,623,958	1,149,175	1,116,400

4.18 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise of cash at bank and in hand and deposits with short-term maturity (i.e. three months or less from date of investment). Cash and bank balances are stated at recoverable values. There were no cash and cash equivalents held by the Group companies that were not available for use.

Bank overdrafts form an integral part of the Group's cash management and 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 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Bank balances	3,199,122	1,137,959	2,135,976	799,770
Cash in hand	71,742	61,273	58,826	49,064
Short-term deposits	547,233	-	142,826	-
	3,818,097	1,199,232	2,337,628	848,834

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 175.

4.18.1 Carrying Amount of Cash and Cash Equivalents are Denominated in the following Currencies

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Currency				
Sri Lankan Rupees	2,102,109	591,834	970,540	397,370
US Dollar	1,551,990	570,894	1,277,713	417,709
Euro	163,997	36,503	89,374	33,754
Other	1	1	1	1
	3,818,097	1,199,232	2,337,628	848,834

4.19 Stated Capital

	Company			
	No. of Shares	2022 Rs.'000	No. of Shares	2021 Rs.'000
Ordinary shares				
Issued and fully-paid ordinary shares				
At the beginning of the year	8,876,437	425,297	8,876,437	425,297
Capitalisation of reserves	355,057	195,281	-	-
At the end of the year	9,231,494	620,578	8,876,437	425,297

On 07th May 2021, the Board of Directors decided to capitalize Rs. 195.3 million of its reserves as a part of its stated capital by issuing 355,057 ordinary shares at a consideration of Rs. 550 per share.

4.20 Revenue Reserve

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
At the beginning of the year	7,976,680	7,476,214	6,647,374	6,186,760
Statement of Profit or Loss and Other Comprehensive Income				
Profit for the year	702,119	486,713	582,977	448,052
Final dividend paid in 2020/21	(110,955)	(22,191)	(110,955)	(22,191)
Capitalisation of reserves	(195,281)	-	(195,281)	-
Acquisition of non-controlling interests	(123,252)	-	-	-
Other Comprehensive Income				
Actuarial (loss)/gain arising from employees benefits (net of tax)	(11,703)	35,944	(11,189)	34,753
At the end of the year	8,237,608	7,976,680	6,912,926	6,647,374

Revenue reserves includes general reserves and retained earnings.

General reserve represents the amounts set aside by the Directors to meet any contingencies and potential future unknown liabilities. The Group transfers the surplus profit, after retaining sufficient profits to pay final dividends declared from retained earnings account to the general reserve account.

4.21 Other Components of Equity

	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
At the beginning of the year	6,140,005	4,077,499	6,098,741	4,057,375
Other Comprehensive Income				
Revaluation of freehold land, net of tax (Note 4.21.1)	-	2,069,893	-	2,047,865
Net fair value gain/(loss) on remeasuring equity securities	2,224	(856)	1,415	(852)
Foreign currency translation reserve (Note 4.21.2)	60,468	(6,531)	48,941	(5,647)
At the end of the year	6,202,697	6,140,005	6,149,097	6,098,741

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.21.1 Revaluation Reserve

The Revaluation reserve comprises the net surplus resulting from the revaluation of land as described in the Note 4.9.1.

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	6,112,161	4,042,268	6,090,133	4,042,268
Surplus net of tax recognised during the year	-	2,069,893	-	2,047,865
At the end of the year	6,112,161	6,112,161	6,090,133	6,090,133

4.21.2 Foreign Currency Translation Reserve

The Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	23,697	30,228	4,521	10,168
Net gain/(loss) arising from translating the Financial Statements of foreign operations	62,471	(6,735)	48,941	(5,647)
Foreign currency translation reserve attributable to non-controlling Interest	(2,003)	204	-	-
	60,468	(6,531)	48,941	(5,647)
At the end of the year	84,165	23,697	53,462	4,521

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

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	1,484,698	491,766	1,458,680	490,180
Loans obtained during the year	652,130	1,325,000	652,130	1,300,000
Repayments during the year	(481,796)	(332,068)	(460,678)	(331,500)
Effect of movements in exchange rates	68,030	-	68,030	-
At the end of the year (before adjusting interest payable)	1,723,062	1,484,698	1,718,162	1,458,680
Interest payable	5,512	3,905	5,512	3,905
At the end of the year	1,728,574	1,488,603	1,723,674	1,462,585
Classified as current liabilities (repayable within one year)	564,441	403,217	559,541	383,585
Classified as non current liabilities (repayable after one year)	1,164,133	1,085,386	1,164,133	1,079,000

4.22.1.2 Securities and Repayment Terms of Long-Term Borrowings

Group As at 31st March	Currency	Interest rate	Principal amount '000	Repayment term	Outstanding Value 2022 Rs.'000	2021 Rs.'000
Bank Name						
Commercial Bank of Ceylon PLC	LKR	Variable	500,000	60 months starting from May 2020	309,100	408,700
Commercial Bank of Ceylon PLC	LKR	Fixed	500,000	60 months starting from August 2021	433,600	-
Hong Kong & Shanghai Banking Corporation Ltd	LKR	Fixed	600,000	60 months starting from September 2018	170,000	290,000
Hong Kong & Shanghai Banking Corporation Ltd	USD	Variable	750	36 months starting from January 2022	205,562	-
Hatton National Bank PLC	LKR	Variable	800,000	60 months starting from January 2022	599,900	759,980
DFCC Bank PLC	LKR	Fixed	4,000	48 months starting from September 2017	-	1,018
Sampath Bank PLC	LKR	Fixed	25,000	15 months starting from May 2021	4,900	25,000
					1,723,062	1,484,698

Company As at 31st March	Currency	Interest rate	Principal amount '000	Repayment term	Outstanding Value 2022 Rs.'000	2021 Rs.'000
Bank Name						
Commercial Bank of Ceylon PLC	LKR	Variable	500,000	60 months starting from May 2020	309,100	408,700
Commercial Bank of Ceylon PLC	LKR	Fixed	500,000	60 months starting from August 2021	433,600	-
Hong Kong & Shanghai Banking Corporation Ltd	LKR	Fixed	600,000	60 months starting from September 2018	170,000	290,000
Hong Kong & Shanghai Banking Corporation Ltd	USD	Variable	750	36 months starting from January 2022	205,562	-
Hatton National Bank PLC	LKR	Variable	800,000	60 months starting from January 2022	599,900	759,980
					1,718,162	1,458,680

Details of assets pledged against long-term loan facilities are disclosed in the Note 4.9.3.

4.22.1.3 Analysis of Long-Term Borrowings by the Year of Repayment

Group	Commercial Bank of Ceylon PLC Rs.'000	Hong Kong & Shanghai Banking Corporation Ltd Rs.'000	DFCC Bank PLC Rs.'000	Hatton National Bank PLC Rs.'000	Sampath Bank PLC Rs.'000	Total 2022 Rs.'000	Total 2021 Rs.'000
Movement of Loans							
At the beginning of the year	408,700	290,000	1,018	759,980	25,000	1,484,698	491,766
Loans obtained during the year	500,000	152,130	-	-	-	652,130	1,325,000
Repayments during the year	(166,000)	(134,598)	(1,018)	(160,080)	(20,100)	(481,796)	(332,068)
Effect of movements in exchange rates	-	68,030	-	-	-	68,030	-
At the end of the year	742,700	375,562	-	599,900	4,900	1,723,062	1,484,698
Analysis of long-term borrowings by period of repayment							
- Less than 1 year	199,200	194,749	-	160,080	4,900	558,929	399,312
- 1 to 5 year	543,500	180,813	-	439,820	-	1,164,133	1,085,386
	742,700	375,562	-	599,900	4,900	1,723,062	1,484,698

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Company	Commercial Bank of Ceylon PLC	Hong Kong & Shanghai Banking Corporation Ltd	Hatton National Bank PLC	Total	
				2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement of Loans					
At the beginning of the year	408,700	290,000	759,980	1,458,680	490,180
Loans obtained during the year	500,000	152,130	-	652,130	1,300,000
Repayments during the year	(166,000)	(134,598)	(160,080)	(460,678)	(331,500)
Effect of movements in exchange rates	-	68,030	-	68,030	-
At the end of the year	742,700	375,562	599,900	1,718,162	1,458,680
Analysis of long-term borrowings by period of repayment					
- Less than 1 year	199,200	194,749	160,080	554,029	379,680
- 1 to 5 year	543,500	180,813	439,820	1,164,133	1,079,000
	742,700	375,562	599,900	1,718,162	1,458,680

4.22.2 Short-term Borrowings

As at 31st March	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short-term bank loans	7,058,348	2,903,841	5,673,791	2,171,004
Bank overdrafts	164,619	158,904	38,421	103,150
	7,222,967	3,062,745	5,712,212	2,274,154

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 2022 amounted to Rs. 6,190.1 million (2020/21 - Rs. 11,084.0 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.

4.22.3.3 Movement of Lease Liabilities

	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Cost				
At the beginning of the year	535,994	499,847	423,105	452,971
Additions during the year	264,524	186,317	240,675	92,703
Accretion of interest	66,872	64,517	56,416	52,719
Payments to lease creditors	(166,871)	(153,326)	(115,372)	(113,927)
Derecognition of lease agreements during the year	(24,233)	(61,423)	(24,233)	(61,423)
Effect of movements in exchange rates	3,297	62	3,297	62
At the end of the year	679,583	535,994	583,888	423,105
Amounts recognised in Profit or Loss				
Interest on lease liabilities	66,872	64,517	56,416	52,719
Lease liabilities presented in Statement of Financial Position as follows;				
Classified as non current liabilities	574,443	395,451	505,849	321,019
Classified as current liabilities	105,140	140,543	78,039	102,086
	679,583	535,994	583,888	423,105
Maturity analysis of lease payments				
- Less than 1 year	105,140	140,543	78,039	102,086
- 1 to 5 year	341,133	229,149	277,066	154,717
- More than 5 years	233,310	166,302	228,783	166,302
	679,583	535,994	583,888	423,105

The Group and Company had total cash outflows for leases of Rs. 166.9 million and Rs. 115.3 million in 2021/22. (2020/21 - Rs. 153.3 million and Rs. 113.9 million) respectively.

4.23 Employee Benefits

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan

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

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in Profit or Loss as the related service is provided.

Defined benefit obligation

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees.

Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS -19 on 'Employee Benefits'.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date. The calculation is performed annually by 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 14% (2020/21 - 8.5%) 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.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.23.1 Movement in Defined Benefit Obligation

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	798,008	774,909	715,839	705,369
Included in Profit or Loss				
Current service cost	59,964	60,832	49,690	50,392
Past service cost*	(428)	-	(486)	-
Interest cost	66,185	79,545	60,846	74,064
	125,721	140,377	110,050	124,456
Included in Other Comprehensive Income				
Net actuarial loss/(gain)	15,399	(47,295)	14,723	(45,727)
Total charge for the year	141,120	93,082	124,773	78,729
Included in Statement of Cash Flows				
Paid during the year	(74,842)	(69,983)	(58,720)	(68,259)
At the end of the year	864,286	798,008	781,892	715,839
The expenses are recognised in the Statement of Profit or Loss in the following line item;				
Administrative expenses	125,721	140,377	110,050	124,456
	125,721	140,377	110,050	124,456

4.23.2 Principal Actuarial Assumptions

An actuarial valuation was carried out as at 31st March 2022 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries.

Assumption	2022	2021
Financial		
Rate of discount	14% p.a.	8.50% p.a.
Salary escalation rate	13.5% in 2022 , 12% in 2023 and thereafter 10% p.a.	8.00% p.a.
Demographic		
Mortality-in service	A 1967/70 mortality table, issued by the Institute of Actuaries, London	
Retirement Age		
- An executive employee	60 years	60 years
- A non-executive employee	60 Years	55 Years
Staff Turnover	Up to age 54 - 13% Above age 54 - 0%	Up to age 49 - 14% Above age 49 - 0%
Weighted average duration of the defined benefit obligation		
Diesel & Motor Engineering PLC	3.12	4.25
DIMO (Private) Limited	4.88	6.94

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 2022 amounted to Rs. 831.4 million (2020/21- Rs.761.1 million) and Rs. 757.9 million (2020/21- Rs.692.5 million) respectively.

* The Group reassessed defined benefit obligation taking into consideration the retirement age revision under the 'Minimum retirement age of workers Act No. 28 of 2021'. This reassessment resulted in a net reversal of liability which was immediately reversed to the statement of Profit or Loss as it is considered as a change to the plan in compliance with the Sri Lanka Accounting Standard 'LKAS 19 – Employee Benefits'.

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.

2022	Change in Defined Benefit Obligation				Defined Benefit Obligation			
Assumption	Group		Company		Group		Company	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of discount	(23,779)	25,854	(20,912)	22,730	827,641	877,274	760,980	804,622
Salary escalation rate	29,703	(27,761)	26,205	(24,506)	881,123	823,659	808,097	757,386

2021	Change in Defined Benefit Obligation				Defined Benefit Obligation			
Assumption	Group		Company		Group		Company	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rate of discount	(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 and Company's defined benefit obligation.

As at 31st March	Group Rs.'000	Company Rs.'000
Within the next 12 months	434,517	411,308
Between 1-2 years	119,351	103,819
Between 2-5 years	158,814	133,103
Between 5-10 years	97,705	86,273
Beyond 10 years	53,899	47,389
	864,286	781,892

4.24 Deferred Tax

Accounting Policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Accounting Estimate

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Recoverability of Temporary Difference Arising from Tax Losses

As at 31st March 2022, the Group has recognised Rs. 148.0 million (2020/21 - Rs. 99.8 million) as deferred tax assets on the deductible temporary differences arising from tax losses, defined benefit obligations, obsolete stocks, debtor impairment, free service provision and warranty provision. According to the Group policy, deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. In the back ground of the Business Continuity Plans in place, the Board of Directors has assessed the current economic implications on the Group and is of the view that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Deferred Tax Assets/(Liabilities)

As at 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	(1,794,182)	(1,580,163)	(1,893,977)	(1,677,460)
Reversal/(origination) of temporary differences to Profit or Loss due to during the year transactions	533,936	183,525	472,587	152,366
Reversal/(origination) of temporary differences to Profit or Loss due to income tax rate change	-	(31,897)	-	(6,702)
	533,936	151,628	472,587	145,664
Reversal/(origination) of temporary differences to Other Comprehensive Income due to during the year transactions (Note 4.24.2)	6,826	(691,702)	3,534	(684,543)
Reversal/(origination) of temporary differences to Other Comprehensive Income due to rate change	-	326,055	-	322,362
	6,826	(365,647)	3,534	(362,181)
At the end of the year (Note 4.24.1)	(1,253,420)	(1,794,182)	(1,417,856)	(1,893,977)
Made up as follows:				
Deferred tax assets	164,436	99,795	-	-
Deferred tax liabilities	(1,417,856)	(1,893,977)	(1,417,856)	(1,893,977)
	(1,253,420)	(1,794,182)	(1,417,856)	(1,893,977)

During the year ended 31st March 2021, the income tax rates applicable to the Group have been revised based on the amendments to the Inland Revenue Act No. 24 of 2017. Accordingly, deferred tax impact due to the change in the income tax rates was recognised in Profit or Loss and Other Comprehensive Income as detailed above.

4.24.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Deferred Tax Liability				
Temporary difference arising from;				
Property, plant and equipment	(10,394,544)	(10,211,168)	(10,316,599)	(10,158,517)
Unrealized exchange gain	-	101,875	-	127,982
Long term contracts	(82,547)	(60,892)	5,253	26,907
Total temporary difference of deferred tax liability	(10,477,091)	(10,170,185)	(10,311,346)	(10,003,628)
Closing deferred tax liability @ 25%	-	2,029	-	-
Closing deferred tax liability @ 24%	(2,514,502)	(2,432,666)	(2,474,723)	(2,400,871)
Closing deferred tax liability @ 18%	-	(7,595)	-	-
	(2,514,502)	(2,438,232)	(2,474,723)	(2,400,871)
Temporary difference arising from;				
Defined benefit obligation	864,092	798,009	781,892	715,839
Obsolete stock	510,710	417,038	433,252	320,730
Debtors impairment	868,166	808,822	621,687	637,710
Free service provision	27,086	59,155	27,086	59,155
SLFRS adjustments	349,263	197,131	266,149	154,756
Warranty provision	46,944	31,239	32,019	26,843
Tax losses	363,313	120,413	-	-
Movement of exchange loss	1,663,292	10,738	1,785,687	-
Non sales incentives	332,500	190,000	329,947	167,200
Bonus provision	157,663	37,141	125,892	29,889
Customer incentive provision	71,481	68,755	-	-
Total temporary difference of deferred tax assets	5,254,510	2,738,441	4,403,611	2,112,122
Closing deferred tax assets @ 25%	-	27,046	-	-
Closing deferred tax assets @ 24%	1,261,082	582,060	1,056,867	506,894
Closing deferred tax assets @ 18%	-	34,944	-	-
	1,261,082	644,050	1,056,867	506,894
Net temporary differences	(5,222,581)	(7,431,744)	(5,907,735)	(7,891,506)
Net deferred tax liability	(1,253,420)	(1,794,182)	(1,417,856)	(1,893,977)

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.24.2 Movement in Deferred Tax Assets and Liabilities during the Year

Assumption	Group				Company			
	As at 01.04.2021 Rs.'000	Recognised in Profit or Loss Rs.'000	Recognised in Other Comprehensive Income Rs.'000	As at 31.03.2022 Rs.'000	As at 01.04.2021 Rs.'000	Recognised in Profit or Loss Rs.'000	Recognised in Other Comprehensive Income Rs.'000	As at 31.03.2022 Rs.'000
Property, plant and equipment								
- Deferred tax liability	(516,404)	(50,376)	-	(566,780)	(514,860)	(38,441)	-	(553,301)
Revaluation of lands								
- Deferred tax liability	(1,931,795)	-	-	(1,931,795)	(1,923,199)	-	-	(1,923,199)
Retirement benefit obligation								
- Deferred tax asset	190,419	13,269	3,696	207,384	171,801	12,319	3,534	187,654
Obsolete stock								
- Deferred tax asset	95,549	25,764	-	121,313	76,975	27,005	-	103,980
Debtor Impairment								
- Deferred tax asset	192,269	16,146	-	208,415	153,050	(3,812)	-	149,238
Warranty provision								
- Deferred tax asset	7,497	3,769	-	11,266	6,442	1,242	-	7,684
Free service provision								
- Deferred tax asset	14,197	(7,697)	-	6,500	14,197	(7,697)	-	6,500
SLFRS adjustments								
- Deferred tax asset	47,310	36,512	-	83,822	37,141	26,734	-	63,875
Long term contracts								
- Deferred tax liability	(14,615)	(5,197)	-	(19,812)	6,457	(5,197)	-	1,260
Unrealized gain/loss								
- Deferred tax liability	24,516	375,176	-	399,692	30,717	398,334	-	429,051
Tax losses								
- Deferred tax asset	27,697	47,893	-	75,590	-	-	-	-
Bonus provision								
- Deferred tax asset	8,914	28,925	-	37,839	7,174	23,041	-	30,215
Customer incentive provision								
- Deferred tax asset	12,376	4,780	-	17,156	-	-	-	-
Non sales incentives								
- Deferred tax asset	45,600	34,200	-	79,800	40,128	39,059	-	79,187
Effect of movement in exchange rates								
- Deferred tax asset	2,288	10,772	3,130	16,190	-	-	-	-
	(1,794,182)	533,936	6,826	(1,253,420)	(1,893,977)	472,587	3,534	(1,417,856)

4.25 Contract Liabilities and Government Grant

4.25.1 Contract Liabilities

Accounting Policy

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unprovided free services relating to vehicle sales.

Upon transferring the promised goods or services related to the liability, amount will be recognised as revenue in Statement of Profit or Loss and Other Comprehensive Income.

Unprovided Free Services Relating to Vehicle Sales

Accounting Policy

The Company sells vehicles bundled with free services to the customers with limitations on mileage or usage period. The unprovided free services are recognised as contract liability at the time of selling the vehicles at its relative fair value and recognised as revenue when the performance obligation relating to liability is satisfied. i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

Accounting Estimate - Relative Fair Value of Free Services

The amount charged by the Company in respect of each service is recognised at the relative fair value of free services. These amounts are estimated using the combination of historical experience in service and price changes.

Carrying Value of Contract Liabilities

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance beginning of the year	1,183,210	803,821	508,489	390,168
During the year addition	8,071,382	8,939,241	3,983,150	5,603,390
Recognised as revenue during the year	(7,671,496)	(8,559,852)	(4,103,618)	(5,485,069)
At the end of the year	1,583,096	1,183,210	388,021	508,489
Classified as current liabilities	1,221,572	814,131	365,358	455,590
Classified as non current liabilities	361,524	369,079	22,663	52,899
	1,583,096	1,183,210	388,021	508,489

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 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.

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance beginning of the year	546,521	184,224	546,521	184,224
Grants received during the year	460,166	2,119,240	460,166	2,119,240
Amortised during the year	(1,006,687)	(1,756,943)	(1,006,687)	(1,756,943)
At the end of the year	-	546,521	-	546,521
Classified as current liabilities	-	(546,521)	-	(546,521)

Details of grants are as follows;

As at 31st March	Purpose	Granter	Carrying Value 2022 Rs.'000	Carrying Value 2021 Rs.'000
Diesel & Motor Engineering PLC	Subsidy for fertiliser	Ministry of Agriculture	-	546,521

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.26 Provisions

Accounting Policy

4.26.1 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are calculated based on the historical experience and the specific terms in the individual cases. The Group arrives at an estimate on the basis of an evaluation of the most likely outcome.

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

4.26.2 Warranty Provisions

The provision for warranty relates mainly to vehicles sold for which the company gives warranty commencing from the date of sale. The warranty received by manufacturer is effective from date of shipment. This causes a time window during which the company is exposed to warranty liability. A provision for warranty is recognised to cover such exposure to a liability. The provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said warranty provision will be reversed upon expiration of the warranty period.

4.26.3 Provision for Litigation and Claims

The Management considers likelihood of any claim succeeding, in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. The timing and cost ultimately depend on the due process in the respective legal jurisdictions.

	Group		Company	
As at 31st March	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for warranty	46,944	31,239	32,018	26,842
	57,944	42,239	43,018	37,842

Carrying value of warranty provision

	Group		Company	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance beginning of the year	31,239	41,328	26,842	37,689
Provision made during the year	23,672	21,752	9,736	16,048
Amount reversed during the period	(7,967)	(31,841)	(4,560)	(26,895)
Carrying value at the end of the year	46,944	31,239	32,018	26,842

4.27 Trade and Other Payables

Accounting Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Generally trade payables are due within 90 days.

Carrying Value of Trade and Other Payables

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Trade payables	7,678,115	5,016,289	7,177,259	4,209,461
Other payables	114,936	-	114,936	-
	7,793,051	5,016,289	7,292,195	4,209,461

4.27.1 Carrying Amount of Trade and Other Payables are Denominated in the following Currencies

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Currency				
Sri Lankan Rupees	1,281,979	1,767,122	1,152,119	1,366,561
US Dollar	5,868,318	2,919,003	5,580,356	2,519,057
Euro	515,708	323,458	432,674	317,888
Other	127,046	6,706	127,046	5,955
	7,793,051	5,016,289	7,292,195	4,209,461

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 0.75:1 and 0.69:1 respectively (2020/21 - Group 0.90:1, Company 0.84:1). As a liquidity risk management measure, the Group continuously compares trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

Unutilised banking facilities are given in Note 4.22.2.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.28 Other Current Liabilities

Accounting Policy

The Group classifies all non financial current liabilities under other current liabilities. Other current liabilities include accruals and advances. These liabilities are recorded at the amounts that are expected to be paid.

Carrying Value of Other Current Liabilities

As at 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Advances received	455,053	543,775	349,371	400,969
Unclaimed dividend	11,094	10,067	11,094	10,067
Value Added Tax (VAT)	8,691	5,065	8,691	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)	46,944	31,239	32,018	26,842
Other payables and accrued expenses	2,512,642	1,935,298	1,767,048	1,272,086
	3,045,424	2,536,444	2,179,222	1,726,029

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	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Opening balance	6,994	301,322	(79,276)	236,295
Current tax for the year (Note 4.6)	(844,911)	(335,473)	(632,087)	(319,532)
	(837,917)	(34,151)	(711,363)	(83,237)
Tax paid during the year	417,628	41,145	269,912	3,961
Current tax (liability)/asset	(420,289)	6,994	(441,451)	(79,276)
Made up as follows:				
Current tax asset	83,377	100,102	-	-
Current tax liability	(503,666)	(93,108)	(441,451)	(79,276)
	(420,289)	6,994	(441,451)	(79,276)

4.30 Amounts due (to)/from Subsidiaries and Equity-Accounted Investees

Name of the Company	DIMO (Private) Limited	DIMO Industries (Private) Limited	DIMO Travels (Private) Limited	Moveflex (Private) Limited	DIMO Lifeline (Private) Limited	PlantChem (Private) Limited	Plant Seeds (Private) Limited	DIMO Lanka Company Limited	United DIMO Company Limited	DIMO Coastline (Private) Limited*	Azend Technologies (Private) Limited*	As at 31.03.2022	As at 31.03.2021
Shareholding	100%	100%	100%	100%	70%	70%	70%	100%	70%	40%	49%		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	(39,714)	6,704	767	-	-	1,158	(3,682)	-	-	18,642	-	(16,125)	139,908
Sale of goods and services	14,448	123	-	9,943	-	28,562	11,815	-	-	682	-	65,573	46,890
Purchase of goods and services	(50,900)	(821)	-	(90,412)	-	(1,407)	(73,106)	-	-	-	-	(216,646)	(123,612)
Rendering of management services	264,175	3	-	-	-	11,920	8,701	-	-	-	-	284,799	164,381
Expenses incurred on behalf of subsidiaries/equity accounted investees	1,363	-	35	7,665	-	5,920	3,947	-	-	-	17,015	35,945	1,671
Fund transfers - net	687,562	(7,678)	-	111,115	65,005	(7,292)	55,913	-	-	-	(5,446)	899,179	(239,791)
Interest on fund transfers - net	5,681	403	-					-	-	-	-	6,084	4,018
Sale of fixed assets	880	-	-	-	-	-	-	-	-	-	1,886	2,766	(10,050)
Exchange rate translation difference	-	-	-	-	-	-	-	-	-	8,144	-	8,144	460
Closing balance due (to)/ from related parties	883,495	(1,266)	802	38,311	65,005	38,861	3,588	-	-	27,468	13,455	1,069,719	(16,125)

*DIMO Coastline (Private) Limited and Azend Technologies (Private) Limited are equity-accounted investees.

4.30.1 Summary of Amounts due (to)/from Subsidiaries and Equity-Accounted Investees Comprise:

As at 31st March	Group 2022 Rs.'000	Group 2021 Rs.'000	Company 2022 Rs.'000	Company 2021 Rs.'000
Amounts due from subsidiaries and equity accounted investees	40,923	18,642	1,070,985	27,271
Amounts due to subsidiaries	-	-	(1,266)	(43,396)
Amounts due (to)/from subsidiaries and equity accounted investees	40,923	18,642	1,069,719	(16,125)

4.30.2 Other Transactions with Subsidiaries and Equity-Accounted Investees

During the year, the Company acquired an additional ownership interest in PlantChem (Private) Limited and Plant Seeds (Private) Limited as disclosed in the Note 4.12.1.1.

The Company invested Rs. 0.98 million and Rs. 25.0 million during the year respectively in DIMO Travels (Private) Limited and Azend Technologies (Private) Limited as disclosed in the Note 4.12.1 and 4.12.5.

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.

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. 4.5 million. (2020/21- Rs. 15.7 million)

5.1.1 (b) The Compensation Paid to Key Management Personnel (KMP)

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

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

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

No loans were granted to KMPs of the Company.

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

For the year ended 31st March	Group		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Short-term employment benefits	472,187	393,364	440,147	351,147
Post-employment benefits	79,785	54,737	79,785	51,349
Terminal benefits	-	-	-	-
Total compensation applicable to Key Management Personnel	551,972	448,101	519,932	402,496

The Company also has an obligation towards a post-employment benefit plan for the Executive Directors. The liability arising from the post-employment obligation has been provided for, based on an actuarial valuation and is disclosed under Employee Benefits in Note 4.23 to the Financial Statements.

5.1.1 (c) Transactions with Close Family Members of Key Management Personnel (KMP)

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

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

5.1.2 Transactions with Companies in which Key Management Personnel (KMP) have Control or Significant Influence

There were no transactions with companies on which KMP have control.

The transactions with companies in which KMP is a Director of such entities are disclosed in 'Directors' Interests in Contracts' on page 129.

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 2022.

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 31st March 2022 audited Financial Statements, which required additional disclosures in the 2021/22 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 31st March 2022 audited financial Statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

5.2 Commitments and Contingencies

Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amounted to approximately Rs. 778.3 million (2020/21 - Rs. 1,591.0 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 and Company are involved in legal actions arising out of the normal course of the business. The Group and 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 2022 amounted to Rs. 67.9 million (2020/21 - Rs. 67.2 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 2022 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 4,106.7 million (2020/21 - Rs. 4,269.6 million).

SECTION 5 - OTHER DISCLOSURES

5.3 Surcharge tax

The Surcharge Tax Act No 14 of 2022 was certified by the Speaker and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka on 08th April 2022.

Surcharge Tax is payable by any individual, partnership, company or each company of a group of companies (holding and subsidiaries) subject to the taxable income threshold. There shall be levied a Surcharge Tax if any individual, partnership or company, whose taxable income calculated in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017, exceeds rupees two thousand million, for the year of assessment commenced on 1st April 2020, at the rate of 25% on the taxable income of such individual, partnership or company, for such year of assessment.

However, the Group is not liable to surcharge tax as the taxable income falls below the required threshold.

5.4 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,

5.4.1 First and Final Dividend

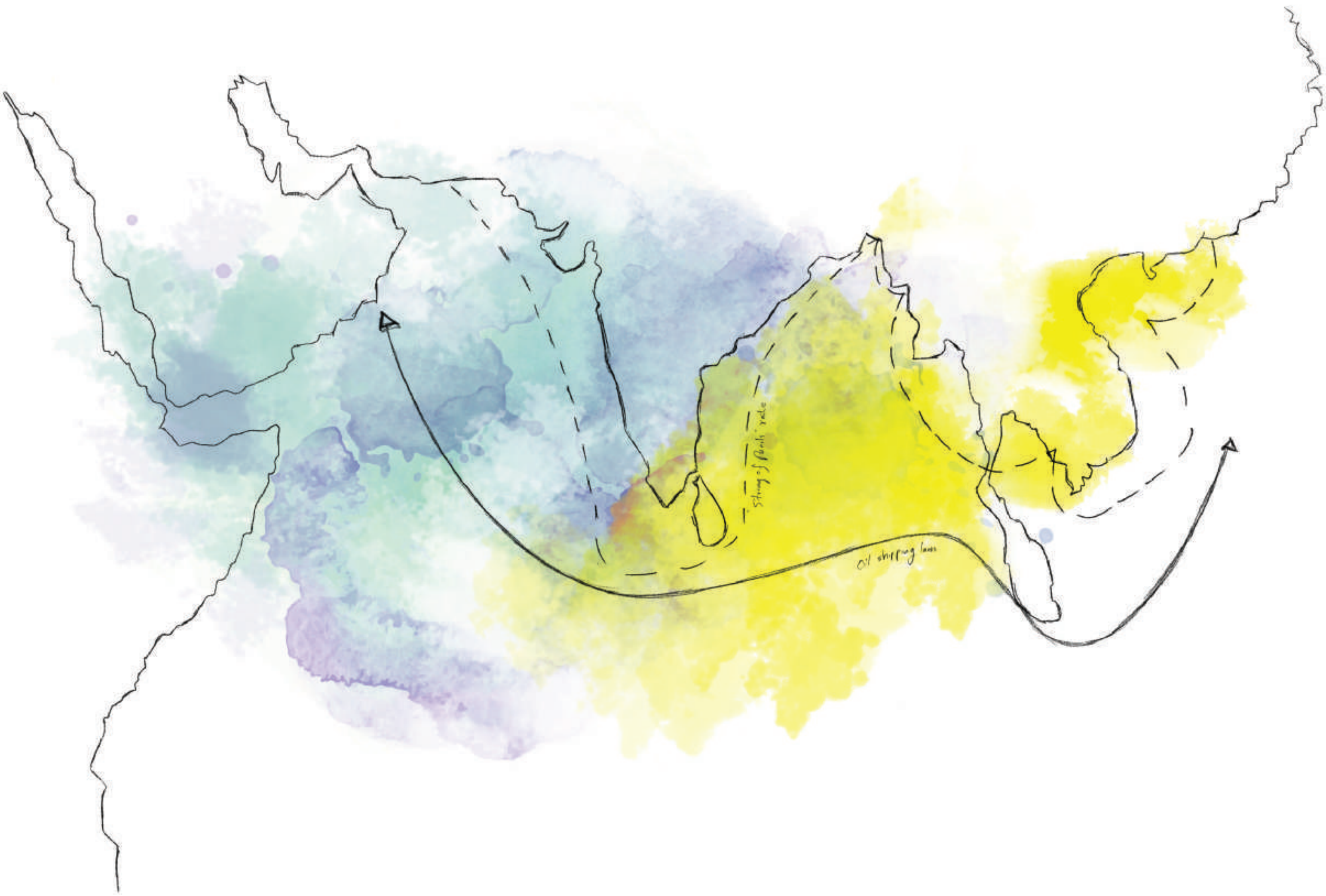
Subsequent to the reporting date, the Board of directors of the company approved a first and final dividend of Rs. 12.50 per share for the year ended 31st March 2022. Details of the above dividend are disclosed in Note 4.8 to the Financial Statements.

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 2022.

The potential for progress

We remain ideally positioned to deliver growth, as we continue to harness our inherent strengths to build enduring partnerships both locally and across the globe.

Sri Lanka's strategic location as a connection point between the East and the West places it at the hub of international activity. For centuries the island has been a sought-after destination for trade, with pristine natural harbours and infrastructure in place to generate long-term value.



ANNEXURES

Share Information **200** | Level of Compliance to Mandatory Regulations **202** | GRI Content Index **203** | Ten Year Summary **207**
Corporate Information **208** | Notice of Meeting **210** | Form of Proxy **211**

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 2022 was1,989 (as at 31st March 2021 - 2,012 shareholders).

No of Shares Held	Resident			Non Resident			Total		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
1 - 1,000	1,718	173,668	1.88	20	5,009	0.05	1,738	178,677	1.93
1,001 - 10,000	185	553,430	6.00	4	28,067	0.30	189	581,497	6.30
10,001 - 100,000	45	1,159,269	12.56	2	57,791	0.63	47	1,217,060	13.19
100,001 - 1,000,000	13	4,387,508	47.53	-	-	-	13	4,387,508	47.53
1,000,001 and over	2	2,866,752	31.05	-	-	-	2	2,866,752	31.05
Total	1,963	9,140,627	99.02	26	90,867	0.98	1,989	9,231,494	100.00

Categories of Shareholders	31st March 2022			31st March 2021		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	1,842	5,974,447	64.72	1,886	5,741,312	64.68
Institutions	147	3,257,047	35.28	126	3,135,125	35.32
Total	1,989	9,231,494	100.00	2,012	8,876,437	100.00

3 Dividend Payment

	2021/22 Rs.	2020/21 Rs.
Dividend per share paid during the year	12.50	2.50
Total dividend paid during the year	110,955,463	22,191,093

The Board of Directors of the Company declared a first and final dividend of Rs. 12.50 per share on 31st May 2022.

4 Share Trading Information From 1st April 2021 to 31st March 2022

	2021/22	Date	2020/21	Date
Market Value				
Highest (Rs.)	1,450.00	27-Jan-22	672.00	25-Jan-21
Lowest (Rs.)	451.00	30-Mar-22	188.00	12-May-20
Closing (Rs.)	488.00	31-Mar-22	530.25	31-Mar-21
No. of transactions	6,774		204	
No. of shares traded	894,693		478,917	
Value of shares traded (Rs. million)	902		238	

5 Public Shareholding

As at 31st March	2021/22	2020/21
Public Holding %	55.58	55.59
No of Public Shareholders	1,978	2,000
Float adjusted market capitalisation (Rs. million)	2,504	2,616

The Company complies with option 04 of the Listing Rules 7.14.1 (a) – up to Rs. 2.5 Billion Float Adjusted Market Capitalization which requires 10% minimum Public Holding.

6 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
2020/21	Capitalization of reserves (one share per every twenty five shares held)	355,057	Nil

7 Changes in Shareholdings of Directors During the Financial Year 2021/22

* Name	Shareholding %	As at 31st March 2022	Movement of Shares	As at 31st March 2021
Mr. A.R. Pandithage	21.74	2,006,924	77,189	1,929,735
Mr. S.C. Algama	6.48	597,769	22,990	574,779
Mr. A.G. Pandithage	6.43	593,695	22,833	570,862
Mr. A.M. Pandithage	2.53	233,138	8,966	224,172
Mr. C.R. Pandithage	2.41	222,644	8,563	214,081
Mr. M.V. Bandara	0.02	1,749	67	1,682
	39.61	3,655,919	140,608	3,515,311

* Includes shares held by spouse

8 Top Twenty Shareholders

Name	As at 31st March 2022		As at 31st March 2021	
	No of Shares	%	No of Shares	%
Employee's Provident Fund	1,835,870	19.89	1,765,260	19.89
A.R. Pandithage	1,030,882	11.17	991,233	11.17
J.C. Pandithage	976,042	10.57	938,502	10.57
A & G Investments (Pvt) Limited	667,395	7.23	640,765	7.22
S.C. Algama	590,497	6.40	567,786	6.40
A.G. Pandithage	546,846	5.92	525,814	5.92
C.R. Pandithage	222,644	2.41	214,081	2.41
A.N. Algama	222,288	2.41	213,739	2.41
Almar Trading Co (Pvt) Ltd	198,900	2.15	191,250	2.15
A.M. Pandithage	189,611	2.05	182,319	2.05
T.G.H. Peries	189,407	2.05	193,069	2.18
D. Jayanntha	166,400	1.80	160,000	1.80
T.R.N.C. Peries	153,929	1.67	148,009	1.67
L.P. Algama	139,951	1.52	134,569	1.52
N.U. Algama	123,598	1.34	118,845	1.34
Hatton National Bank PLC/Saravanantharajah Paraman	71,206	0.77	-	-
Bank of Ceylon No. 1 Account	61,054	0.66	77,937	0.88
W.D.N.H. Perera	54,377	0.59	-	-
I.S. Salgado	47,840	0.52	46,000	0.52
H.S. Pandithage	46,849	0.51	45,048	0.51
	7,535,586	81.63	7,154,226	80.60

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	208
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	133 to 198
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	133 to 185
168 (1) (d)	Accounting Policies and any changes therein	142 to 198
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	129
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	154
168 (1) (g)	Corporate donations made by the Company during the accounting period	154
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	208
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	154
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	127
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	128

Disclosures Required by the Listing Rules of the Colombo Stock Exchange

Rule No.	Subject	Applicable Requirement	Compliance Status	Annual Report Reference (Page)
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	Composition of the Board– page 87
7.10.2.(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be Independent.	Compliant	Independence of Directors – page 87
7.10.2.(b)	Independence of Directors	Each Non-Executive Director should submit a declaration of Independence/ Non-Independence.	Compliant	Independence of Directors – page 87
7.10.3.(a)	Independence of Directors	The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director and the names of Independent Directors should be disclosed in the Annual Report.	Compliant	Board profile - pages 24 and 27 Independence of Directors – page 87
7.10.3.(b)	Independence of Directors	Directors do not qualify as independent but are specified by the Board as independent.	Compliant	Annual Report of the Board of Directors - page 126
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 24 and 27
7.10.3.(d)	Appointment of new Directors	A brief resume of any new Director appointed to the Board.	Compliant	Board profile - pages 26 and 27
7.10.5 (a) – (c)	Remuneration Committee	A listed company shall have a Remuneration Committee.	Compliant	Report of the Remuneration Committee – page 97
7.10.6 (a) – (c)	Audit Committee	A listed company shall have an Audit Committee.	Compliant	Report of the Audit Committee-pages 95 – 96
9.2.2	Composition of Related Party Transaction Review Committee	Comprise a combination of Non-Executive Directors, Independent Non-Executive Directors and Executive Directors at the option of Listed Entity. Chairman should be Independent Non-Executive Director.	Compliant	Report of the Related Party Transactions Review Committee - page 98
9.3.2 (a)	Non- Recurrent Related Party Transactions	If aggregate value exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower.	Compliant	Annual Report of the Board of Directors - page 126
9.3.2 (b)	Recurrent Related Party Transactions	If the aggregate value exceeds 10% of the gross revenue/income.	Compliant	Annual Report of the Board of Directors - page 127
9.3.2 (c)	Report of the Related Party Transactions Review Committee	Annual Report shall contain a report by the Related Party Transactions Review Committee	Compliant	Report of the Related Party Transactions Review Committee - page 98
9.3.2 (d)	A declaration by the Board of Directors	An affirmative statement of the compliance with these Rules pertaining to Related Party Transactions or a negative statement in the event the Entity has not entered into any Related Party Transaction/s.	Compliant	Report of the Related Party Transactions Review Committee - page 98

GRI CONTENT INDEX

ANNEXURES

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	10			
	102-2 Activities, brands, products, and services	20 - 21			
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GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	110 - 122
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GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	110 - 122
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	100 - 103
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GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	110 - 122
Tax		
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	103-3 Evaluation of the management approach	110 - 122
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GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	110 - 122
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GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	110 - 122
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Environmental Compliance		
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GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	110 - 122
GRI 400 Social Standards Series		
Employment		
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	103-2 The management approach and its components	110 - 122
	103-3 Evaluation of the management approach	110 - 122
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	110 - 122
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	110 - 122
	401-3 Parental leave	110 - 122
Labour/Management Relations		
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Occupational Health and Safety		
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Non-discrimination		
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GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	110 - 122
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GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	110 - 122
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GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	110 - 122

GRI Standard	Disclosure	Page number(s) and/or URL(s)
Socioeconomic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	100 - 103
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	103-3 Evaluation of the management approach	110 - 122
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	110 - 122

TEN YEAR SUMMARY

ANNEXURES

Year Ended 31st March	2021/22 Rs.'000	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
Operating Results										
Revenue	37,507,480	30,819,014	34,557,871	38,300,350	43,686,158	44,492,990	37,749,750	28,037,376	20,884,674	27,711,604
Profit before taxation	1,165,345	720,111	279,527	104,119	716,607	1,043,392	1,380,059	847,033	512,858	490,021
Income tax	(310,975)	(183,845)	(78,383)	(27,436)	(193,391)	(386,601)	(433,453)	(250,950)	(119,317)	(27,871)
Profit for the year	854,370	536,266	201,144	76,683	523,216	656,791	946,606	596,083	393,541	462,150
Profit attributable to equity holders of the parent	702,119	486,713	195,011	51,307	519,309	656,791	946,606	596,083	393,541	462,150
Capital Employed										
Stated capital	620,578	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297
Other components of equity	6,202,705	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
Revenue reserves	8,237,600	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
Non-controlling interests	405,604	419,270	369,921	339,607	304,203	-	-	-	-	-
Total equity	15,466,487	14,961,252	12,348,931	12,080,451	12,049,362	10,164,942	9,989,679	9,237,938	7,917,493	7,631,167
Total borrowings	8,951,541	4,551,348	11,286,683	10,134,164	9,188,923	8,382,217	6,484,996	5,253,838	5,950,126	3,417,800
Total capital employed	24,418,028	19,512,600	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967
Assets Employed										
Non- current assets	15,229,915	14,594,455	12,243,971	11,776,291	11,695,795	8,357,266	7,982,821	8,039,357	6,937,410	5,719,010
Current assets	25,075,075	17,521,696	19,469,319	17,523,901	16,891,197	14,402,152	12,349,823	9,910,853	9,157,244	7,183,369
Total liabilities (excluding borrowings)	(15,886,962)	(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)
Total assets employed	24,418,028	19,512,600	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967
Cash Flow										
Net cash from/(used in) operating activities	(339,989)	7,557,627	(88,575)	(626,464)	463,058	(654,758)	(836,816)	648,049	(726,849)	3,207,700
Net cash used in investing activities	(1,237,046)	(342,893)	(377,995)	(360,050)	(1,113,776)	(684,812)	(223,129)	(677,408)	(1,361,283)	(970,581)
Net cash from/(used in) financing activities	4,113,879	(6,870,307)	1,244,309	1,245,649	155,879	(847,598)	(495,191)	(340,735)	975,156	(474,062)
Net increase/(decrease) in cash and cash equivalents	2,536,844	344,427	777,739	259,135	(494,839)	(2,187,168)	(1,555,136)	(370,094)	(1,112,976)	1,763,057
Key Indicators										
Earnings per share (Rs.)	76.06	52.72	21.12	5.78	58.50	73.99	106.64	67.15	44.34	51.16
Net assets per share (Rs.)	1,696.73	1638.27	1,349.53	1,322.70	1,323.18	1,145.16	1,125.42	1040.73	891.97	859.71
Market value per share (Rs.)	488.00	530.25	250.00	304.70	464.90	559.90	549.70	630.00	505.00	505.00
Dividend per share (Rs.) - paid during the year	12.50	2.50	2.50	-	20.00	24.00	27.00	20.00	10.00	10.00
Dividends Paid (Rs.'000)	110,955	22,191	22,191	-	177,529	213,034	239,664	177,529	88,764	88,764
Annual sales growth (%)	21.70	(10.82)	(9.77)	(12.33)	(1.81)	17.86	34.64	34.25	24.64	(30.48)
Equity to total assets ratio (%)	37.37	45.28	37.77	40.07	41.09	44.66	49.13	51.46	49.19	59.15
Debt to equity ratio (%)	57.88	30.42	91.40	83.89	76.26	82.46	64.92	56.87	75.15	44.79
Dividend pay out (%)	16.44	4.74	11.83	-	33.93	32.44	25.32	29.78	22.56	19.21
Dividends cover (no. of times)	6.08	21.09	8.45	-	2.95	3.08	3.95	3.36	4.43	5.11
Price earnings ratio (no. of times)	6.42	10.06	11.84	52.71	7.95	7.57	5.15	9.38	11.39	9.70
Current ratio (no. of times)	1.23	1.39	1.21	1.24	1.24	1.30	1.47	1.45	1.50	1.71
Quick asset ratio	0.75	0.90	0.71	0.65	0.54	0.49	0.56	0.75	0.70	0.72
Turnover to capital employed (no. of times)	1.54	1.58	1.46	1.72	2.06	2.40	2.29	1.93	1.51	2.51
Interest Cover (no. of times)	2.37	1.98	1.20	1.07	1.68	2.22	3.93	3.00	2.42	2.42
Average no. of employees	1840	1860	1939	1906	1788	1,649	1,554	1,524	1,518	1,433

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 09th May 2008.

Company Registration Number
PQ 146

Founded
1939

Accounting Year End
31st March

Tax Payer Identification Number (TIN)
104002498

Stock Exchange Listing
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

Directors
A.R. Pandithage
A.G. Pandithage
S.C. Algama
M.V. Bandara
DR. H. Cabral
B.C.S.A.P Gooneratne
D.N.K. Kurukulasuriya
P.K.W. Mahendra
A.M. Pandithage
C.R. Pandithage
S.R.W.M.C. Ranawana
J.M. De Silva
A.D.B. Talwatte

Auditors
KPMG,
Chartered Accountants,
P.O. Box 186,
No 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03, 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
Standard Chartered 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 & Joint Ventures in Sri Lanka

DIMO (Private) Limited
Subsidiary incorporated in 1980
A.R. Pandithage (Chairman)
A.G. Pandithage
S.C. Algama (Managing Director)
R.H. Fernando
B.C.S.A.P. Gooneratne
P.K.W. Mahendra
S.R.W.M.C. Ranawana

DIMO Travels (Private) Limited
Subsidiary incorporated in 1975
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
R.K.J. Gunasekara
D.N.K. Kurukulasuriya

DIMO Industries (Private) Limited
Subsidiary incorporated in 1979
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
H. M. P. D. B. Dematawa
D. N. K. Kurukulasuriya
C. R. Pandithage

PlantChem (Private) Limited
Subsidiary acquired in 2018
A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B Dematawa (Managing Director)
B.C.S.A.P. Gooneratne
U. Wanigasinghe
W.P.S.A. Weerawardhana
A.G.J. Gunathilaka

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

DIMO Lifeline (Private) Limited
Subsidiary incorporated in 2020
A.R. Pandithage
A.G. Pandithage
P.K.W. Mahendra
D.M.A.P. Dissanayake
C.F. De Zilva
S.C. Algama

Moveflex (Private) Limited
Subsidiary incorporated in 2021
A.R. Pandithage
A.G. Pandithage
B.C.S.A.P. Gooneratne
R.D.M.P. Wickramasinghe

Azend Technologies (Private) Limited
Joint Venture incorporated in 2021
A.R. Pandithage
A.G. Pandithage
K.M.C.J.R.Silva
M.K.D.K Senaratne
R.D.M.P. Wickramasinghe
O.V.W. Samaranayake
C.R. Pandithage
R.M. Serasinghe

Directors of Foreign Subsidiaries & Joint Ventures

DIMO Lanka Company Limited
Subsidiary incorporated in 2017
A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne

United DIMO Company Limited
Subsidiary 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

DIMO Coastline (Private) Limited
Joint venture invested in 2017
A.R. Pandithage
A.G. Pandithage
A.U. Maniku (Managing Director)
M. V. Bandara
B.C.S.A.P. Gooneratne
H.M. Fulhu
I.G.M. Haleem
S.A. Maniku

NOTES

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 77th Annual General Meeting of DIESEL & MOTOR ENGINEERING PLC will be held at the DIMO 800, Sirimavo Bandaranaike Mawatha, Colombo 14 on 29th June 2022 at 03.00 p.m. and the business to be brought before the meeting will be:

Agenda

1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2022, 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. Asite Drupath Bandara Talwatte, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

ii. To re-elect Mr. Bodiyabaduge Charindra Suresh Alexius Perera Gooneratne, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

iii. To re-elect Mr. Pushpawela Kankanamge Wijith Mahendra, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

iv. To re-elect Mr. Sri Rama Waidayasekera Mudiyanselage Chaminda Ranawana, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

v. To elect Mr. Charithe Rajeev Pandithage, Director, who retires in terms of Article 71 of the Articles of Association of the Company.

vi. To elect Ms. Dilrukshi Neelika Kumari Kurukulasuriya, Director, who retires in terms of Article 71 of the Articles of Association of the Company.

vii. To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Asoka Ranjith Pandithage, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Mr. Asoka Ranjith Pandithage".

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. 07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Abeykumar Mohan Pandithage, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Abeykumar Mohan Pandithage".

ix. To re-appoint as a Director Mr. Jayantha Michael De Silva, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Jayantha Michael De Silva, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Jayantha Michael De Silva".

x. To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007 (the Act).

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. Sarath Chandrasiri Algama who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. Sarath Chandrasiri Algama"

3. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.

4. To authorise the Directors to determine contributions to charities.

The profiles of the Directors proposed for re-election are given in the Annual Report.

Notes:

1. 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.
2. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No.65, Jethawana Road, Colombo 14 or forwarded by email to agm@dimolanka.com not less than forty eight (48) hours before the time appointed for the holding of AGM.

By Order of the Board,

Diesel & Motor Engineering PLC
Company Registration No. PQ-146

B.C.S.A.P. Gooneratne
Company Secretary

Colombo
31st May 2022

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. Abeykumar Mohan Pandithage	whom failing
Mr. Asite Drupath Bandara Talwatte	whom failing
Mr. Bodiyabaduge Charindra Suresh Alexius Perera Gooneratne	whom failing
Mr. Charithe Rajeev Pandithage	whom failing
Ms. Dilrukshi Neelika Kumari Kurukulasuriya	whom failing
Dr. Harsha Cabral	whom failing
Mr. Jayantha Michael De Silva	whom failing
Mr. Mudiyanselage Vijitha Bandara	whom failing
Mr. Pushpawela Kankanamge Wijith Mahendra	whom failing
Mr. Sarath Chandrasiri Algama	whom failing
Mr. Sri Rama Waidayasekera Mudiyanselage Chaminda Ranawana	

as my/our* proxy to represent me/us*and to vote and **…..…………… as indicated hereunder for me/us and on my/our behalf at the 77th Annual General Meeting of the Company to be held on Wednesday, 29th June 2022 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 2022, the Report of the Auditors and the Annual Report of the Board of Directors for the said year.	❑	❑
2. To re-elect Mr. Asite Drupath Bandara Talwatte, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
3. To re-elect Mr. Bodiyabaduge Charindra Suresh Alexius Perera Goonertane, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
4. To re-elect Mr. Pushpawela Kankanamge Wijith Mahendra, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
5. To re-elect Mr. Sri Rama Waidayasekera Mudiyanselage Chaminda Ranawana, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
6. To elect Mr. Charithe Rajeev Pandithage, Director, who retires in terms of Article 71 of the Articles of Association of the Company.	❑	❑
7. To elect Ms. Dilrukshi Neelika Kumari Kurukulasuriya, Director, who retires in terms of Article 71 of the Articles of Association of the Company.	❑	❑
8. To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007 (the Act).	❑	❑
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. 07 of 2007 (the Act).	❑	❑
10. To re-appoint as a Director Mr. Jayantha Michael De Silva, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act).	❑	❑
11. To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No.07 of 2007 (the Act).	❑	❑
12. 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.	❑	❑
13. To authorise the Directors to determine contributions to charities.	❑	❑

As witness my/our hand this ……………………….. day of ………………… Two Thousand and Twenty Two.

……………………………

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 a doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

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.

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 not less than forty eight (48) hours before the time appointed for the holding of AGM.
2. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.
3. If you wish to appoint a person other than the Chairman or a Director as your Proxy, please insert the relevant details overleaf and initial against this entry.
4. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
5. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy, if it had not been already registered with the Company.

Designed & produced by
emagewise
Digital Plates & Printing by Softwave Printing and Packaging (Pvt) Ltd

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