



# **M A G N E T   O F   T R U S T**

Diesel & Motor Engineering PLC | Annual Report 2014/15









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[www.dimolanka.com](http://www.dimolanka.com)

Online references:

The HTML version of the Annual Report 2014/15 can be read at

<http://www.dimolanka.com//investors/financial-reports>

Supplementary information of the Annual Report 2014/15 can be read at

<http://www.dimolanka.com/sustainability-performance/>



## **M A G N E T   O F   T R U S T**

Diesel & Motor Engineering PLC | Annual Report 2014/15

At DIMO, we're very aware of who we are and what we do - the heritage and spirit we represent in this country and overseas. We are proud to partner some of the world's greatest brands, reputed for high-precision engineering, reliability and performance. Similarly, the trust that thousands of Sri Lankans now place in us was won over the course of seventy five long years and is therefore immensely valued.

Today we know that our carefully crafted business model has been truly validated and remains compelling; a philosophy of meaningful value creation that continues to draw a myriad stakeholders toward us in relationships that are warm, valuable and enduring.

## Value creation at DIMO

### The story unfolds

At DIMO, our fundamental promise is the value we deliver to all our stakeholders. We aim to build an organisation and resources that will deliver this promise today and over the long term. Every day we strive to improve our economic, social and environmental performance, in order to deliver results of holistic value, the diverse elements of which

we bring together in the integrated report we produce at the end of each year.

The process by which we create value is a complex one. That's why we have sectioned this book to make it easier for our readers to understand the various activities that drive our value creation strategy. A

brief introduction precedes each section describing the information that follows, in order to bring clarity and connectivity to the multiple processes that result in the value we create for the thousands of stakeholders we serve.

#### A compelling proposition

Welcome to our fifth integrated Annual Report! We begin with a detailed description of the Company, our history, highlights of our performance in the year under review and a brief guide to reading this Annual Report.

- 06 The DIMO Legend
- 07 The Group Structure
- 08 Highlights of the Year 2014-15
- 10 Welcome to our fifth integrated Annual Report

#### A powerful impression

Here you will meet the Board of Directors and the management and leadership of DIMO and read performance review statements from both the Chairman/ Managing Director A.R. Pandithage and the Chief Executive Officer AG Pandithage of DIMO.

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#### A magnetic idea

This important chapter of the report presents the DIMO value creation model and overall strategy, which is based on our corporate philosophy. Here, we also describe how we integrate stakeholder expectations into our business model.

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#### An engaging discussion

If you want to fully understand the DIMO value creation process, you need to read this section in detail. This section is where we analyse the capitals that provide inputs, the supply chain activities and the performance of diverse business segments.

The impact management report reveals the economic, social and environmental impacts of our value creation activities.

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#### A transparent approach

Our commitment to responsible and transparent governance is reflected in the enterprise governance report, risk management report and the other statements that follow in this section.

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#### An attractive set of results

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

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# A compelling proposition

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## The DIMO legend

We've been building trust for over seventy five years...

### Vision

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

### Our Mission

To create value responsibly.

In 1939, four young men – Stephen Peries, Pandithage Don Alexander, Cyril Algama and Harold Algama launched their own workshop in rented premises off Prince of Wales Avenue, Panchikawatte. It was from this tiny company that the massive conglomerate of Diesel & Motor Engineering PLC or DIMO, originated.

Notwithstanding their youth, the four young men had big dreams. Their vision was not just local but global, with ambitions to deliver world-class products and services to every customer they served. This idea of excellence above all remains our core principle to this day, while management of the company has remained for the most part in the hands of the founding families.

DIMO's original business was in making gaskets and turning out automotive parts – a very lucrative enterprise due to the high demand for such items during the war years. As volumes expanded, the little business grew and diversified, moving into the sale of electrical parts and fittings for motor vehicles. In 1945 DIMO was incorporated as a private, limited liability company.

In 1949, DIMO went into partnership with Mr. F. K. Heller, a representative of a German company, Lohmann & Company. Mr Heller had launched Heller and Company in Sri Lanka in 1932, with the distributorship of several great German brands – Mercedes Benz, Bosch and Siemens. When World War 2 broke out, Heller & Company was acquired by the Government

of British Ceylon. When the war ended Mr. Heller was released and subsequently became a prominent industrialist in Germany. His active partnership with the DIMO Group led to a significant expansion of the business. By 1952 a showroom, stores and workshop were all open for business.

Today we are the oldest sole distributor for Mercedes Benz passenger and commercial vehicles in the entire Asian region.

In 1964, DIMO became a publicly quoted company, listing with the Colombo Brokers' Association. From that moment on, DIMO has grown on a trajectory that has been both steady and organic, diversifying into a score of related business enterprises while remaining true to our core expertise in automobile and heavy-vehicle sales and services. Our portfolio now includes classic automobile brand names – Mercedes, Chrysler, Jeep and TATA whilst Bosch, MTU, Komatsu, Siemens, Michelin, Osram and Mahindra & Mahindra. Who are also leaders in their respective segments.

The Company now manages after sales and service activities for commercial vehicles, construction machinery and power systems from our state of the art workshop in Biyagama, while logistics are managed from Weliveriya in Gampaha. A regional and expanding network of showrooms and branches bring ease of access to customers from the remotest parts of the island.

To support our powerful brand portfolio, we also offer cutting edge technology and services through the Bosch Service Centre in Colombo – a professionally managed workshop where qualified personnel repair and service virtually any model of new generation vehicle.

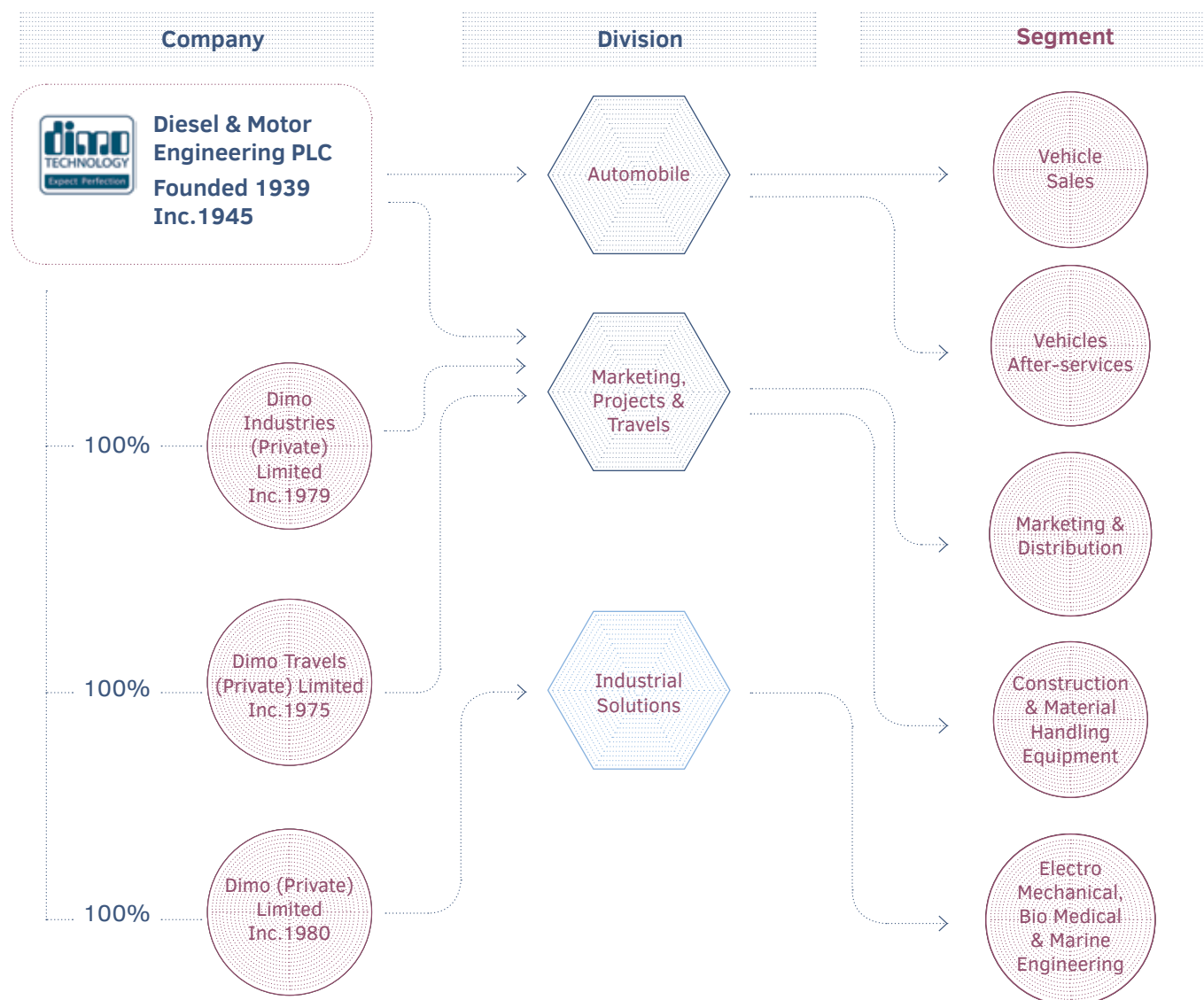
In 2014 DIMO added another outstanding jewel to our crown of achievements when we formally declared open our state of the art Mercedes-Benz Sales & Aftercare Centre on Sirimavo Bandaranaike Mawatha, Colombo 14. This showroom and service centre is designed to showcase the Mercedes Benz Experience; a contemporary and sophisticated multi-purposed space reflecting the timeless elegance and classic style of the Mercedes Benz brand.

Developing local expertise has always been a priority for DIMO. In 1990 we launched our first automobile training school offering a two-year comprehensive auto-engineering course designed by Mercedes-Benz.

Post-war, we opened a second automobile training school in Jaffna, to serve a region that has been denied access to quality technical training for over 30 years.

Today DIMO is truly a global yet local company, one that has always reflected the enduring spirit of Sri Lanka through the many challenges we have overcome on our seventy-five year journey to this moment of success. We know that our deeply embedded 'tribal' culture has played its part in all that we have achieved. It remains the source of our shared beliefs and common experience where knowledge is pooled and ongoing learning is inclusive, evolutionary and continuous. Today we are justifiably proud of our carefully honed business model that guarantees thousands of stakeholders the promise of increasing value, through the excellence of our products and processes and the passion of our people – the DIMO tribe.

## The Group Structure



### Board of Directors

Company Name	Name of the Directors
Diesel & Motor Engineering PLC	A.R. Pandithage (Chairman), A.G. Pandithage (CEO), A.N. Algama, S.C. Algama, Dr. H. Cabral, B.C.S.A.P. Gooneratne, Prof. U.P. Liyanage, A.M. Pandithage, R. Seevaratnam, R.C. Weerawardane
Dimo (Private) Limited	A.R. Pandithage (Chairman), S.C. Algama (Managing Director), R.H. Fernando, B.C.S.A.P. Gooneratne, A.G. Pandithage, W. Pushpewala, C. Ranawana, R.C. Weerawardane
Dimo Travels (Private) Limited	A.R. Pandithage (Chairman), S.C. Algama, M.V. Bandara, E.D.C. Kodituwakku
Dimo Industries (Private) Limited	A.R. Pandithage (Chairman), S.C. Algama, A.C.G. Dias, B.C.S.A.P. Gooneratne, A.G. Pandithage, R.C. Weerawardane

## A continuous delivery of value

Financial and operational highlights

The Group successfully achieved its planned profit before tax, which was a substantial increase from the previous year. We expect this growth momentum to continue in 2015/16.

28

Revenue [Rs.billion]

596

PAT [Rs.million]

The external factors remained helpful during the year. A stable US dollar and relatively low interest rates, increase in total industry volume of commercial vehicle sales, commencement of construction related projects during the year and many other factors provided a helpful environment to foster business.

67.15

EPS [Rs.]

9,556

Monetised Value added  
[Rs.million]

90%

Customer satisfaction  
index

20

Dividend per share Rs.

77

Number of principals

60

Community development  
investment [Rs.million]

The short term effects of all our strategies and efforts are manifested in the outputs, outcomes and impacts. Overall, we had a successful year particularly in terms of monetised results.

6,771

Total carbon footprint  
[tCo<sub>2</sub> e]

5,788

Taxes and tariff paid to  
Government [Rs.million]

5.6

Market Capitalisation  
[Rs.billion]

62.28%

Employee engagement  
index

## Welcome to our fifth integrated Annual Report

Here we describe the context and framework of our reporting

This report is organised around DIMO's value creation story. The different forms of capital that provide the inputs, the value creating activities that result in outputs, outcomes and impacts are key components of it.

This is the Company's fifth integrated report. This report is organised around DIMO's value creation story. The different forms of capital that provide the inputs, the value creating activities that result in outputs, outcomes and impacts are key components of it. Good governance and risk management underpin the strategy driven value creation process.

DIMO's value creation model aims to create value whilst balancing the Company's responsibilities to its diverse stakeholders, including its shareholders, and the environment. How the Company achieved this over the past financial year is discussed comprehensively through the different sections of this report.

The Financial Statements of the Company up to and as at 31st March 2015 were prepared in accordance with the applicable Sri Lanka Accounting Standards.

The Company is in compliance with the laws and regulations, the Companies Act No. 7 of 2007 and the subsequent amendments, and the Listing Rules of the Colombo Stock Exchange (CSE). The 2013 version of the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka (SEC) have been followed. Details of compliance with this code are provided from page 145 to 159 and the corporate website [www.dimolanka.com](http://www.dimolanka.com).

The Company is a member of the business network of the International Integrated Reporting Council (IIRC). The Integrating reporting framework of the IIRC has been applied to this, the Group's fifth integrated report for 2014/15.

The report also contains the GRI G4 key performance indicators required by the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). A soft copy of this Annual Report and key information relating to sustainability are available on the Company website. This information relating to sustainability is prepared "In accordance-comprehensive" of the GRI (G4) guidelines. The GRI (G4) index is available from page 160 to 163.

The Greenhouse Gas Protocol Corporate Standard has been used to measure and report on the Company's carbon footprint.

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

The information content of the report covers the economic, social and environmental impacts resulting from the value creation activities of the Company and its subsidiaries operating across the island, and includes a reasonable assessment of potential impacts. This report also contains the objectives set by the Sustainability Committee, which are formulated based on material aspects identified. The test of materiality embedded in our processes has ensured that we report on all material issues relating to



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sustainability with regard to aspects internal and external to the organisation within the sphere of influence of the Company. The DIMO stakeholder identification process ensures stakeholder inclusiveness. The Group Management Committee (GMC) has approved all the information and data relating to sustainability objectives that are contained in this report.

This Annual Report relates to the activities of Diesel and Motor Engineering PLC and its subsidiaries, collectively referred to as the DIMO Group, spanning a 12-month period ended 31st March 2015. There have been no changes in reporting scope and/or boundaries from the previous year. Non-financial information in this report pertaining to the previous year has not been restated, unless otherwise stated. The non-financial information contained in this report was audited by DNV Business Assurance Lanka (Pvt) Ltd according to the AA1000 Assurance Standard. The Assurance Statement is available under appendices from page 164 to 166.

The Independent Auditor's opinion on the Financial Statements is available in the Independent Auditor's Report on page 99.



You could access the web and mobile PDF versions of this Annual Report.





# A powerful impression

Here you will meet the Board of Directors and the management and leadership of DIMO and read performance review statements from both the Chairman/Managing Director-AR Pandithage and the Chief Executive Officer-AG Pandithage of DIMO.

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## Being a magnet of trust

A statement from the Chairman/Managing Director, A.R. Pandithage



A.R. Pandithage, Chairman/Managing Director

We thank all our stakeholders with whose association Dimo has emerged to be one of the most respected & successful business entities in Sri Lanka. At this 75th milestone we chart our course for the future with resolve.



## 75th Anniversary and celebrations

We, together with our customers, business partners and well-wishers celebrated the 75th Anniversary of Dimo during this financial year.

The celebrations brought emotional memories of each and every person who toiled to make Dimo, what it stands for today. I together with my fellow tribe-members remember with gratitude and humility the many contributors to the Dimo legacy. We thank all our stakeholders with whose association Dimo has emerged to be one of the most respected and successful business entities in Sri Lanka. At this 75th milestone we chart our course for the future with resolve.

## Our Value Stores

Our value creation model presented on page 24 illustrates the key types of capital that provide the inputs. This comprises the monetised capital, the relationship capital, human capital and the intellectual capital. Thus, it is imperative that we nurture our “value stores”. The tribe members grow up with a sense of responsibility attuned to strengthening them.

## Building a learning and a stable organisation

We build the organisation with a view to maintaining its long term stability and success, knowledge building and retention, frameworks for governance and best practices, Systems and procedures are elements we focus on to reinforce the organisation to stand the test of time. In order to get a feedback of our efforts, we participate in competitions and subject our work to scrutiny by independent bodies. I believe the certifications Dimo has received for quality and environmental management systems and the accolades for sustainability reporting, integrated reporting, human resource management practices, corporate citizenship and many others, are an affirmation of our efforts.

## Strategy

Our corporate strategy seeks to gain competitive advantage through collaboration and differentiation. The corporate strategy model and an explanation of it is available on page 26. The collaboration comes from employees and business partners and differentiation is sought in five key areas. The expected outcomes include short term financial returns and sustenance of value creation in the medium and long term.

## Be a Magnet

Stakeholder-satisfaction forms an integral part of our corporate philosophy. Our strategies are based on sustaining mutual trust which is imperative for their acceptance of Dimo as the partner of choice. This is a value created, which is of tremendous importance to the business. Dimo should be a magnet that attracts employees, business partners and customers to its fold.

## A helpful environment

The external factors remained helpful during the year. A stable US dollar and relatively low interest rates, increase in total industry volume of commercial vehicle sales, commencement of construction related projects during the year and many other factors provided a conducive environment to foster business.

## The scorecard

The short term implications of all our strategies and efforts are manifested in the outputs, outcomes and impacts. Overall, we had a successful year particularly in terms of monetised results. Given below are some noteworthy highlights with previous year's comparisons, where applicable.

- ♦ The EBIT increased 44% from Rs.874.6 million to Rs.1,257.2 million.
- ♦ The budgeted profit before tax for the year was achieved.
- ♦ The profit after tax increased 51% from Rs.393.5 million to Rs.596.0 million.
- ♦ The ROCE increased from 8.71% to 11.1%.

**Stakeholders are an integral part of our corporate philosophy. This is also evident in our corporate strategy. Stakeholder acceptance and being their partner of choice is imperative for the sustenance of value creation. Dimo should be a magnet that attracts employees, business partners and customers to its fold.**

- ♦ Earnings per share increased from Rs.44.34 per share to Rs.67.15 per share.
- ♦ Debt to equity ratio improved from 23% to 17%.
- ♦ Carbon footprint tCO<sub>2</sub>e per Rs.1.0 million turnover reduced from 0.2762 tCO<sub>2</sub>e to 0.2413 tCO<sub>2</sub>e.
- ♦ Dimo made it to the top 20 of the “Great Place to Work” list for the third successive year.

Tata vehicle sales and Mercedes Benz vehicle sales enjoyed an encouraging year. This could be identified as the best year for the two businesses since the “lower tariff led” boom in years 2010 and 2011. I wish to place on record our appreciation to Tata Motors and Daimler AG for their continued support.

## Dimo 800

The investment in Dimo 800 was one of the key decisions made during my tenure in the current office. This facility with a 25,748 square meters built area houses the Mercedes Benz Centre of Excellence which became fully operational during the year. The facility consisting of a 16 car showroom and a 85 bay state of the art workshop is recognised by Daimler AG as one of the best facilities in Asia. An amount of Rs.2.5 billion has been invested in this facility to date, including the purchase price paid for the land.

## Being a magnet of trust

A statement from the Chairman/Managing Director, A.R. Pandithage

### Investment in Jaffna

Dimo established its branch in Jaffna in 2009 to serve the northern province. It is supported by our customer contact points in Vavuniya and Mannar. With a view to strengthening our presence in the region, this investment was made in a modern facility in Jaffna. The branch which started operations during the year consists of a 45 vehicle display area, a 28 bay workshop and a training school. An amount of Rs.297 million has been invested to date.

### Investing in technology

Technology has been a key source of competitiveness. With the collaboration of our foreign principals, investing in technology will be an ongoing process. The group will continue to upgrade its technology and equipment with a view to providing a higher standard of service and a unique value proposition to the customer. Our commitment to upgrade the standard of services is highly commended by our Principals. The use of latest technology and equipment is a key factor to attract new principals and product offerings.

### Seeking growth areas

Expanding our portfolio and presence in fields outside the automobile industry has been a goal that we have been pursuing during the past few years. The areas identified for such expansion included projects in infrastructure development, mechanical & electrical engineering, building services and allied areas. I am pleased to inform you that we have made steady progress in this

Tata vehicle sales and Mercedes Benz vehicle sales enjoyed an encouraging year. This could be identified the best year for these two businesses since the "lower tariff led" boom in the years 2010 and 2011. I would like to place on record our thanks to Tata Motors and Daimler AG for their continued support.

endeavour and we look forward to expanding further in this domain as an integrated solution provider.

### Challenges

Challenges are many. I am confident that the Dimo tribe is well equipped to face them. But, I would like to single out two key challenges that the group faces in the short term. The first is to respond to rapid changes in the tariff. These frequent changes pose a major challenge, as they render our counter strategies ineffective within a shorter period of time. As such it is necessary that we come up with short term plans to counter tariff amendments as opposed to taking a long term view of the tariff policy.

The second key challenge is the increasing expectations of our principals with regard to investments to support their product portfolio. Therefore, it is necessary that we assess the viability of such expectations and structure our investments in a proactive manner.

### Making work enjoyable and rewarding

Employee engagement is a critical success factor in competitive business. Nurturing my tribe members, a precious resource, is high on my list of priorities. It is my earnest desire to make our employee value proposition (EVP) a reality at all times.

### Sustainability

We recognise the role required of our Company in sustainable development. Firstly, to act responsibly in carrying out our business activity whilst being responsive to our stakeholder expectations. Secondly, to voluntarily participate in activities beyond the boundaries of our entity, taking up our share of collective social responsibility.

The management of positive and negative economics, the social and environmental impact during value creation processes are the key areas of sustainability. We extend our benevolence, within our abilities to support a cause that is external to our business activities.

Technology has been a key source of competitiveness. With the collaboration of our foreign principals, investing in technology will be an ongoing process.

The turtle conservation project that commenced three years ago, is a project aimed at protecting the natural habitat for turtle breeding without human interference. This was continued during the year. The Dimo automobile training school, yet another philanthropic project entered its 25th year in serving the community.

The contents of this report including the impact management report from page 58 to 69 provide details of our efforts towards sustainability and impact management made during the year.

### Responsible and transparent

We perceive effective enterprise governance as the foundation for growth and continue to preserve our governance framework that is characterised by voluntary initiatives in addition to legal and regulatory requirements. The enterprise governance framework is presented on page 73.

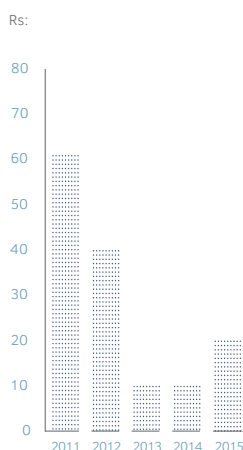
### Integrated Reporting

Five years ago we embarked on a journey to re-direct ourselves in corporate reporting. The intention is to tread beyond excellence in financial and sustainability reporting and to look at our enterprise in a more holistic manner and to relate our value creation story in its totality. The seven guiding principles prescribed in the International framework published by the international integrated reporting council (IIRC) have been given due consideration in preparing this integrated report.

### Dividends

The Board declare a first and final dividend of Rs.20/= per share (Rs.10/= – 2013/14) for the financial year 2014/15, to be paid on 16th June 2015.

Dividends Per Share



## Outlook

The group has made significant investments in the recent past in the vehicles related segments. The Dima 800, new facility in Jaffna, the island wide network of customer contact points, capacity improvements in passenger vehicle after care, complemented by the island-wide 24 hour road-side assistance service will provide the competitive edge to seize opportunities arising in these segments in the medium and long term.

Capacity improvements made in the electro-mechanical business and the construction and material handling segment are significant and noteworthy. These businesses have evolved from 'solution providers' to integrated solution providers and are now becoming an engineering, procurement and construction (EPC) contractor. Attaining such status will afford Dima an opportunity to enhance the value addition in its supply chain.

The above outcomes, complemented by the intense training and development of our tribe members in customer relationship management (CRM), places us on a clearly visible path of growth.

Overall, I am upbeat about the prospects of the Group in the short and medium term.

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## Acknowledgements

We could not have achieved these results if not for the members of the Dima tribe. I take this opportunity to thank them for their commitment to creating value responsibly. A "Thank you" to our foreign principals, who have retained their faith in us as their number one choice in Sri Lanka. Finally, I would like to offer a warm word of appreciation to my colleagues on the Board. I have valued your counsel and advice at all times.

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

26th May 2015  
Colombo

## Keeping the trust of a myriad stakeholders

A Review from the Chief Executive Officer, A.G. Pandithage



A.G. Pandithage, Director/Chief Executive Officer

The new Mercedes DIMO 800 Centre opened in May 2014. This state-of-the-art facility on a 621 perch property which has 25,748 square meters of showroom, workshop, office and parking space has placed the Company ahead of its competition.

## Economic Background

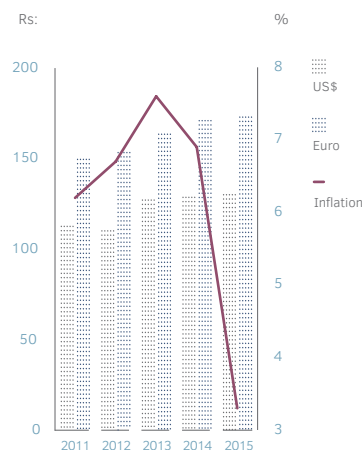
Macroeconomic aspects such as interest rates, exchange rates, economic growth, and the intensity of economic activity affect the performance of the Group; 2014/15 was overall a good year from this perspective.

The macro-economic environment in 2014 was conducive to our businesses, entailing 7.3% GDP growth and low single digit inflation.

The DIMO Group's primary interests include the supply of capital goods such as vehicles, equipment and machinery, and serving industries such as construction, roads and infrastructure. Users of these businesses often fund their investments through borrowing and therefore, the fortunes of these sectors are closely linked to the prevalent borrowing rates. AWPLR which was at 8.57% at the beginning of the financial year, had dipped further to 7.0% by year end, auguring well for our businesses.

Most of our imports are denominated in US dollars and Euros; the relatively stable or favourable exchange rates had a positive influence on our business: the US dollar (middle rate) which was Rs.130.73 per dollar at the beginning of the year, closed at Rs.133.73 as at the end of the year; similarly the Euro which stood at Rs.179.67 per euro as at 01st April 2014, closed at Rs.144.29 on 31st March 2015.

Currency Rate at Year - end vs Inflation



The sectors in which we have significant interests all grew in 2014 with the transport sector growing 7.3% (9.4% in 2013) and the construction sector growing 20.2% (14.4% in 2013). The electricity sub sector expanded by 4.3% in comparison to 11.3% in 2013 and the government spent Rs.138,403 million on healthcare in 2014, compared to Rs.119,530 million in 2013.

## Group Performance

Let me outline the performance of the business segments of the Group:

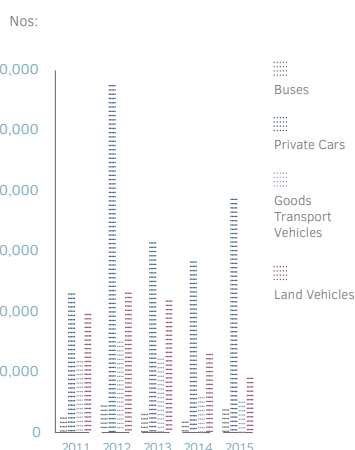
### Vehicle Sales and After Services

Vehicle registrations increased during the year while the number of vehicles sold was 17% higher. The combined turnover of the vehicle sales and after services businesses grew by 38% to Rs.21,166 million (Rs.15,330 million – 2013/14).

#### Registration of Vehicles in Sri Lanka

YEAR	2013	2014
Class of vehicles		
Motor cars	28,380	38,780
Three-wheelers	83,673	79,038
Motor cycles	169,280	272,885
Buses	1,805	3,851
Dual purpose vehicles	24,603	20,799
Goods transport vehicles	5,872	5,121
Land vehicle	13,038	9,082
<b>TOTAL</b>	<b>326,651</b>	<b>429,556</b>

Registration of Motor Vehicles



The sectors in which we have significant interests all grew in 2014 with the transport sector growing 7.3% (9.4% in 2013) and the construction sector growing 20.2% (14.4% in 2013). The electricity sub sector expanded by 4.3% in comparison to 11.3% in 2013 while the government spent Rs.138,403 million on healthcare in 2014, compared to Rs.119,530 million in 2013.

We recorded satisfactory growth from both passenger and commercial vehicle sales.

The passenger vehicles business recorded a better performance compared to the previous year. The Mercedes Benz vehicles business received a boost with the new state of the art showroom and the workshop at DIMO 800. The number of vehicles sold increased by 176% from the previous year. This segment stands to gain from the gradual increase of the country's per capita income. The Tata passenger vehicle sales grew by a staggering 228% after repositioning of the product offerings.

This year we sold 10% more Tata commercial vehicles, the main contributor to the Group Turnover. The last six months in particular generated 76% of units sold for the year; we expect this momentum to continue well into 2015/16. The Tata commercial vehicles business has been earmarked for further investment, given its potential for future growth.

## Marketing and Distribution

The turnover of the marketing and distribution segment grew to an impressive Rs.3,351 million from Rs.2,650 million the previous year. The growth was driven by the tyre business where turnover increased by 24%. We have embarked on retailing tyres under the brand "Dimo Tyre Mart", which forms part of our medium and long term strategy for this business. The first retail



## Keeping the trust of a myriad stakeholders

A Review from the Chief Executive Officer, A.G. Pandithage

outlet was opened during the year in Wattala, and has performed in line with budgets. A second outlet will be opened shortly.

### Construction Machinery & Material Handling Equipment

The construction machinery business offers solutions for road, building and infrastructure development projects in the country. The growth momentum of the construction industry supports our growth plans. The segment's flagship project is a full maintenance contract with Holcim to maintain its fleet of construction machinery at their quarry in Aruwakkaru, Puttlam.

The Material Handling Equipment business also grew in line with GDP growth rate. Private sector investments, particularly in logistics, helped this business achieve satisfactory results during the year, with turnover growing by 37% to Rs.1,750 million (Rs.1,274 million – 2013/14). Next year too, the segment is expected to perform well through opportunities to participate in impending infrastructure projects relating to road construction.

### Electro-mechanical, Bio-Medical and Marine Engineering

The businesses within the segment had mixed results during the year. Government investment on infrastructure development projects and energy sector projects has a direct impact on the building technologies and power engineering businesses, which make up a significant part of the segment. The Bio-Medical engineering business performed well, in line with budgets. The power engineering and building technologies businesses did not perform as expected due to the slow progress in some government projects; this may lead to a delay in the turnaround of these two businesses.

### Non- Monetised Capital

As a business, our long term sustenance is closely aligned to how we manage and nurture our non-monetised capitals. Such non- monetised capital includes our Customers and Business Partners, whom we refer to as our Relationship Capital, Human Capital and Intellectual Capital. A more comprehensive discussion on these capitals can be found in the Report on Capitals presented from page 32.

### Impact Management

Our value creation model includes the impacts brought about by our value creation activities. The impact management report, presented from page 58, addresses the economic, social and environmental impact that we make and the efforts taken to improve the positive impacts and to mitigate and manage negative impacts.

### Engaged Employees

An engaged employee makes a powerful impact on how a business differentiates itself. We actively seek employee engagement and I am happy to report improved performance in this area. The engagement score of the annual employee engagement survey increased this year from 3.6 to 3.9 out of a maximum score of 5.0.

### Related Diversification

Our growth strategy in the past has taken an organic route. It is time to pursue new paths that can help propel the Group to the future. We have considered alternative growth strategies in depth, and have chosen the path of related diversification. This allows us to drive growth through the strength of our intellectual capital.

An engaged employee makes a powerful impact on how a business differentiates itself. We actively seek employee engagement and I am happy to report improved performance in this area.

### Information Technology Driven Processes

We have embraced information technology to drive most of our work processes including the transaction processing systems. In fact, an information trail is available from a casual customer inquiry right until the customer is finally served. This necessitates heavy investment in IT infrastructure and security. We thus spent Rs.95.9 million on IT services during the year.

### Awards and Accolades

We stay competitive by adopting best practices and employing systems that work; our business practices have manifested themselves in the many awards and accolades received this year for Integrated Reporting, Sustainability Reporting, Human Resource Management and many others. A full list of the awards and accolades received during the year is presented on page 50.

### Financial Review

Information on monetised capital presented from page 33 contains a review of our financial performance and position.

### Outlook

The Group successfully achieved its planned profit before tax, which was a substantial increase from the previous year. The increase in vehicle sales was

very satisfactory. We expect this growth momentum to continue in 2015/16.

Plans for the forthcoming year include the better utilisation of workshop capacity while results are expected to flow in from the expansion of the spare parts distribution business during the previous year. Consequently, an improved performance is also forecasted for the Vehicles – After Services segment.

The state infrastructure development programs are expected to pick up during the second half of the year, which should have a positive impact on demand for our construction and material handling equipment and after services segment. The Marketing and Distribution and the electromechanical, bio- medical and marine engineering segments are also expected to produce an improved performance.

Overall, all signs indicate that the year 2015/16 will deliver a much improved performance for your Company.



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

26th May 2015  
Colombo

## Taking pride in our responsibility

### Board of Directors



A.R. Pandithage – Chairman/Managing Director



A.G. Pandithage – Chief Executive Officer



A.N. Algama



S.C. Algama



Dr. H. Cabral



B.C.S.A.P. Gooneratne



Prof. U. P. Liyanage



A.M. Pandithage



R. Seevaratnam



R.C. Weerawardane



#### **A.R. PANDITHAGE**

Chairman & Managing Director

Joined the Company in June 1973. Appointed to the Board in June 1977. Appointed as joint Managing Director in November 1984 and as Managing Director in 1986. Appointed as the Chief Executive Officer in 1994. Appointed as the Chairman/Managing Director and CEO in July 2004 and continues to be Chairman & Managing Director since April 2012. Holder of Dip.Ing. from Germany. Member of the Institute of Engineers, Germany (VDI). Director of Dial Textiles Ltd.

#### **A.G. PANDITHAGE**

Chief Executive Officer

Joined the Company in September 1986. Appointed to the Board in December 1995. Fellow of the Chartered Institute of Management Accountants, UK. Appointed as the Deputy Chief Executive Officer with effect from April 2006 and appointed as Chief Executive Officer from April 2012.

#### **A.N. ALGAMA**

Joined the Company in June 1973. Appointed to the Board in November 1984. Past Chairman of The Ceylon Motor Traders' Association and Sri Lanka Tyre Importers' Association.

#### **S.C. ALGAMA**

Appointed to the Board in November 1984. Appointed as an Executive Director in 1994. Fellow of the Institute of Incorporated Engineers (SL). Council Member and Chairman-Transport & Automobiles Industries Committee of the National Chamber of Commerce, Sri Lanka.

#### **DR. H. CABRAL \*\***

Appointed to the Board in October 2006. President's Counsel, PhD in Corporate Law (Australia), Commissioner-Law Commission of Sri Lanka, Member –Advisory Commission on Company Law, Council Member – University of Colombo, UGC nominee – PGIM(Post Graduate Institute of Medicine), Council Member- The Council of Legal Education, Member Academic Board of Studies-The Institute of Chartered

Accountants of Sri Lanka and Member of its Corporate Governance Committee, Senior Lecturer and Examiner-University of Colombo, Senior Lecturer-, IALS Sri Lanka Law College, ICPL, Senior Practitioner in the fields of Corporate Law, Intellectual Property Law, International Trade Law, Commercial Law and Commercial Arbitration. Chairman, Tokyo Cement Group of Companies, Director of Hayleys PLC, Lanka Orix Finance PLC, Commercial Leasing and Finance PLC, Richard Pieris Distributors Ltd, Tokyo Super Cement Company Lanka (Pvt) Limited, Tokyo Power Lanka Co. Ltd, Hambana Petrochemicals Ltd, Alumex PLC, Just in Time Consultants Ltd., BRAC Lanka Finance PLC, Tokyo Eastern Cement Co. Ltd, Browns Investments PLC and Imperial Institute of Higher Education.

#### **B.C.S.A.P. GOONERATNE**

Joined the Company in January 2001. Appointed to the Board in April 2006. Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holder of Master of Business Administration degree from the Postgraduate Institute of Management, University of Sri Jayewardenapura. Non Executive Director of Hunas Falls Hotels PLC.

#### **PROF. U. P. LIYANAGE \*\***

Appointed to the Board in October 2006. Fellow of the Chartered Institute of Marketing, UK., MBA and Ph.D. from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenapura. Professor of Management at PIM. Non-Executive Director of Chemenex PLC, Ceylon Cold Stores PLC, Arpico Plastics PLC, Talawakelle Tea Estate PLC, Richard Peiris & Co. PLC, and Singer Sri Lanka PLC.

#### **A.M. PANDITHAGE \***

Appointed to the Board in September 1982. Chairman and Chief Executive of Hayleys PLC. Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Fellow of the Chartered Institute of Logistics & Transport. Member of the Presidential Committee on Maritime Matters. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Monetary Policy Consultative Committee of the Central

Bank of Sri Lanka. Director of Sri Lanka Port Management & Consultancy Services Ltd.

#### **R. SEEVARATNAM \*\***

Senior Independent Director

Appointed to the Board in January 2007. Fellow member of The Institute of Chartered Accountants of Sri Lanka and England & Wales and holder of General Science Degree from the University of London. Former senior partner of KPMG Ford, Rhodes, Thornton & Company. Non Executive Independent Director of Acme Printing & Packaging PLC, Acme Packaging Solutions (Pvt) Ltd, Tea Smallholders Factories PLC, Tokyo Cement Company Lanka PLC, Lanka Aluminium Industries PLC, Metecno Lanka (Pvt) Ltd, Classic Teas (Pvt) Ltd, Green Farms (Pvt) Ltd, Colombo Fort & Land Building Co PLC, Omega Line Ltd, Sirio Ltd, Benji Ltd, Alpha Apparels Ltd, Hayleys Agricultural Holdings (Pvt) Ltd, and Hayleys Consumers (Pvt) Ltd.

#### **R.C. WEERAWARDANE**

Joined the Company in February 1990. Appointed to the Board in June 2002. Certificate holder of the Chartered Institute of Marketing, UK.

\* Non-Executive Directors

\*\* Independent Non-Executive Directors

## Taking pride in our responsibility

Group Management Committee



A.R. Pandithage - Chairman/Managing Director



A.G. Pandithage - Director/Chief Executive Officer



S.C. Algama - Executive Director



M.V. Bandara - Chief Operating Officer Tata  
Vehicles -Sales & Service



B.C.S.A.P. Gooneratne - Executive Director



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



D.N.K. Kurukulasuriya - General Manager  
- Human Resources



N. Mudannayake - General Manager - IT



S.R.W.M.C. Ranawana - Chief Operating Officer -  
Construction & Material Handling



W. Pushpawela - Chief Operating Officer  
- Dimo (Pvt) Ltd



R.C. Weerawardane - Executive Director



## A magnetic idea

This important chapter of the report presents the DIMO value creation model and overall strategy, which is based on our corporate philosophy. Here, we also describe how we integrate stakeholder expectations into our business model.

24	Value Creation Model
26	Strategy
27	Stakeholder Engagement

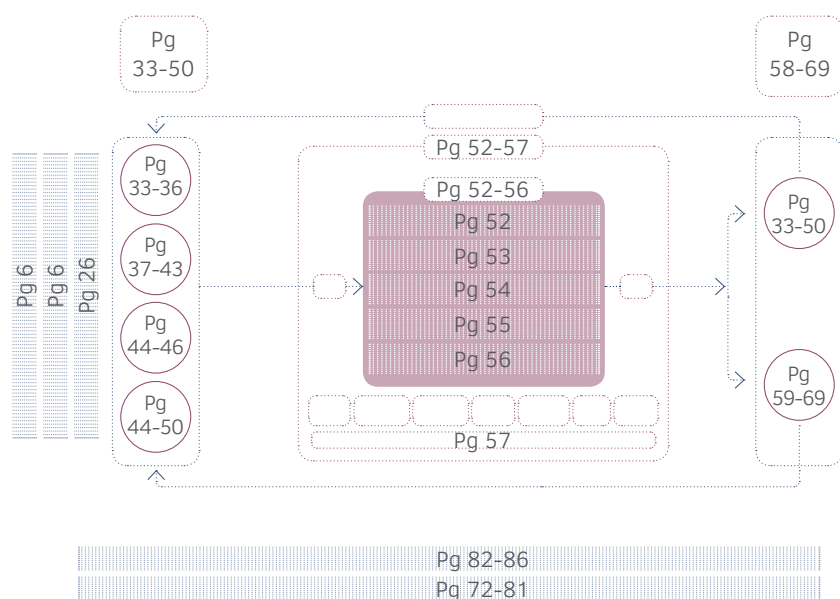
## Value Creation Model

At DIMO we have been relentlessly fine-tuning our value creation process and delivery for many years. Because however big we grow, the creation of value for every one of our stakeholders remains our primary purpose. Our value creation activities use inputs or contributions from our four capitals - monetised capital (which includes financial capital, property, plant and equipment), Relationship, Human and Intellectual Capital. The efficient and productive management of our capitals and processes is what we pride ourselves upon, for therein lies the key to the efficient and continuous delivery of rising value.

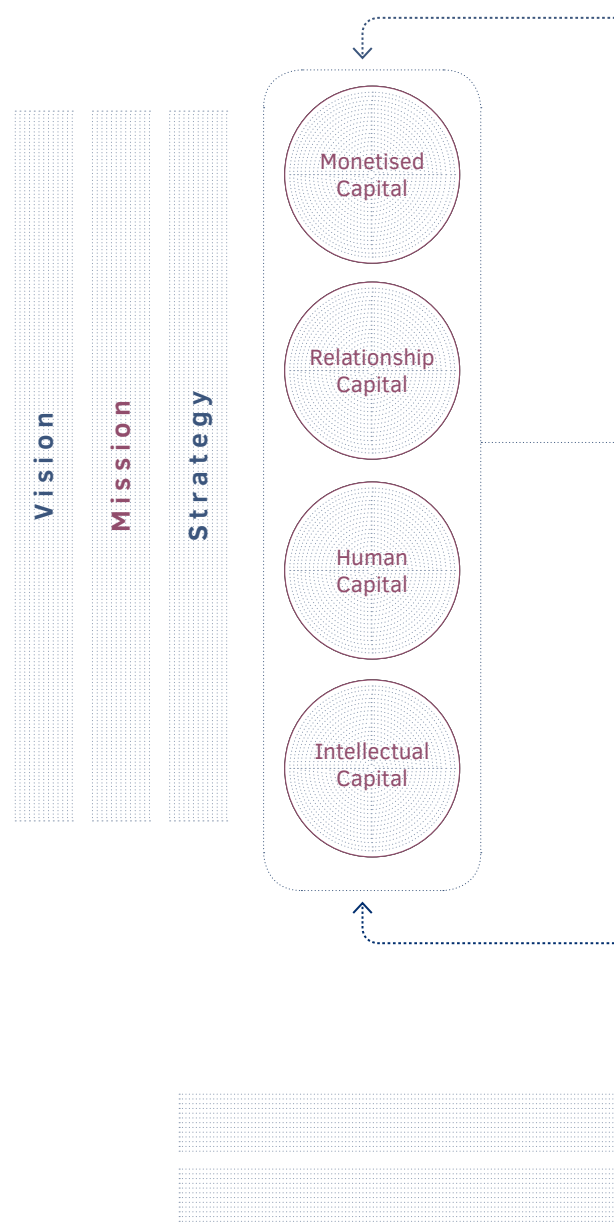
In our model there are three activities that lie at the heart of our value-creating enterprise. Securing, nurturing and preserving the capitals we own while simultaneously managing the economic, social and environmental impacts of our processes. The second demands precision and efficiency in the management of the supply chain activity, in order to maximise the value created. The final element in our value chain is the responsible corporate citizenship that we have always prioritised from 1939 to this day, not just because we know that our stakeholders' belief in us depends upon it but because it is the standard of governance we live by.

In the end the cycle is a perfect one, in which our capitals or value stores provide inputs for the value creation activities, leading to outputs, impacts and outcomes affecting our capitals.

And that is how we add value through every activity we undertake, however great or small. In short, it is how we seek to leverage our core strengths, our expertise and our resources to produce a win-win result for both DIMO and every stakeholder who trusts us to deliver on every promise we make.

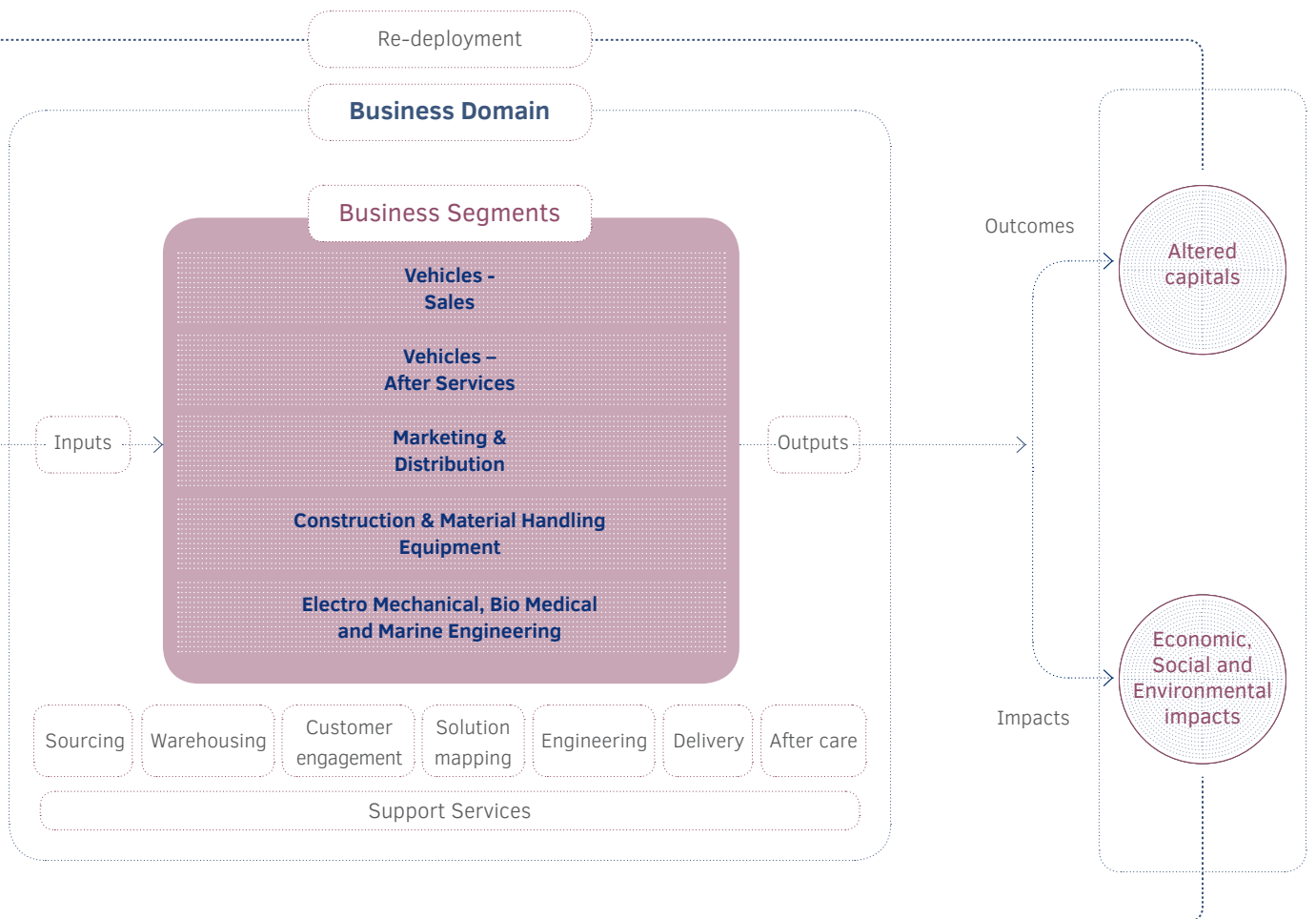


These are the key capitals that provide inputs for our value creation activities



## Value creation model

The value creation process gives rise to outcomes that alter capitals and to economic, social and environmental impacts



Positive or negative impacts on capitals depending on the level of responsible behaviour

## Risk Management

## Enterprise Governance

## Strategy

### Corporate Strategy

Collaboration and differentiation are two aspects that Dimeo's overarching corporate strategy focusses upon. The group seeks collaboration internally and externally to support differentiation. Employee engagement is considered a key aspect that will lead to competitive advantage. Our firm belief is that engaged employees deliver more in qualitative and quantitative terms, thereby becoming a key force that will drive the differentiating strategies. Similarly, partnering with the best gives us the access to best in class products, solutions and technology, which can be leveraged upon to compete more aggressively.

The collaborations help us to execute the differentiation strategy. Collaboration, together with competencies and expertise built over the years provide the platform to execute the differentiation strategy.

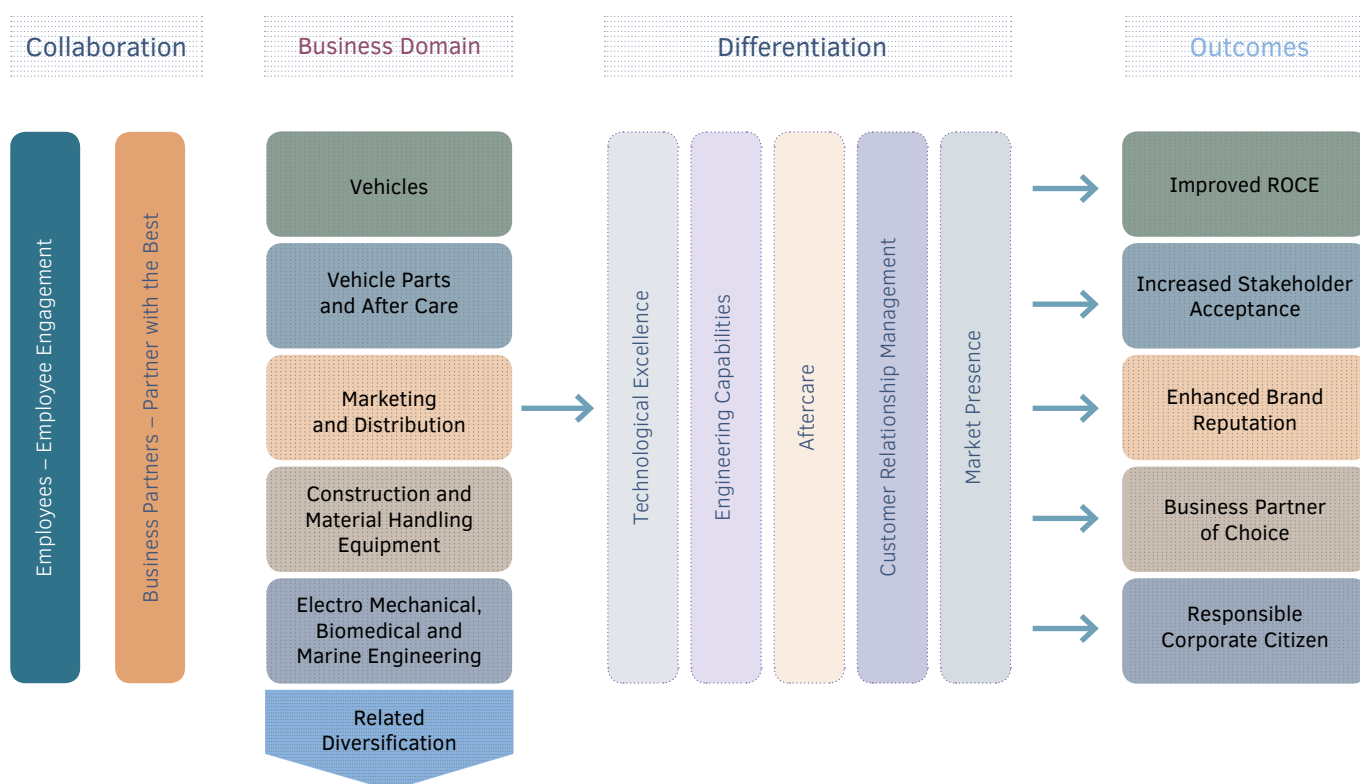
Technological excellence, engineering capability, aftercare, customer relationship management and market presence are key focus areas in which we seek differentiation.

Partnering with the best and our inherent resolve for excellence in technology drive us to associate state of the art technology. This complemented by capacity building in engineering allows us to offer a unique value proposition to our customers. Over the years

we have seen the value placed on after care by our customers. We have also seen the opportunities that come with reliable and responsible aftercare. Market presence helps us to allow our customers easier access and enhance customer intimacy.

We are committed to making significant investments in these areas. These differentiation strategies are aimed at increasing returns to our shareholders and securing our ability to create value in the medium and long term.

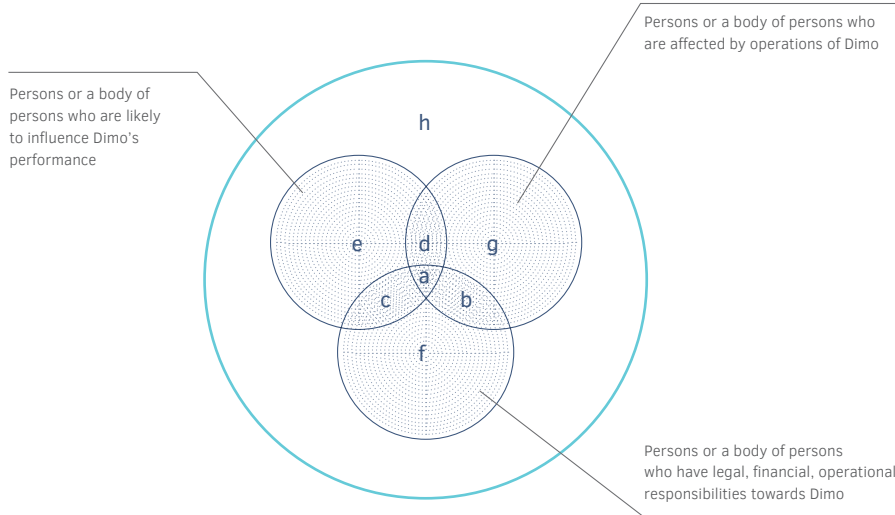
Whilst we seek competitive advantage in the existing segments, we are pursuing related diversification.





# Stakeholder Engagement

## Stakeholder identification mechanism for engagement



## Sustainability Context

As a responsible organisation, Dimo is committed to playing its part in sustainable development. In light of the global and local needs, we have identified the areas in which Dimo should play its role. Areas of attention derived from these external needs are dealt with in the impact management report. Management of expectations of stakeholders such as customers and business partners is covered under relationship capital.

## Stakeholder Responsiveness

Our corporate philosophy mandates that we act responsibly towards our stakeholders. Inclusion of customers and business partners as part of our non- monetised capital and due consideration given to other stakeholders in the impact management report amplifies our commitment to stakeholders. Our quality management system, environmental management system and the customer relations management system are a few mechanisms in place to ensure that we adequately and appropriately address their expectations. Objectives of business units and the sustainability objectives of the group address such expectations more specifically. Our management systems include mechanisms to monitor whether expected outcomes concerning our stakeholders are achieved and corrective actions are taken, if so required.

The company's stakeholders were comprehensively identified by the Sustainability Committee, using data that was independently collected from various stakeholder groups.

## Stakeholder Engagement

The Company's stakeholders were comprehensively identified by the Sustainability Committee, using data that was independently collected from various stakeholder groups. The criteria used to identify the stakeholders of the Company were as follows:

- ♦ Those who exhibited all three of the identified characteristics were regarded as the most important for engagement. (a)
- ♦ Those who exhibited two of the identified characteristics were regarded as the next most important for engagement. (b,c & d)
- ♦ Those who exhibited only one or none of the identified characteristics were not, as a rule, considered for periodic engagement. However, the Sustainability Committee would decide to include

any party for periodic engagement, notwithstanding the mentioned criteria, in cases where it was warranted. (e, f, g and h)

The Group engages stakeholders on a periodic basis with a view to identifying stakeholder expectations. A table containing the frequency at which such engagement takes place and the methods of engagement is given below. Any major concern identified during the stakeholder engagement process is escalated to the Group Management Committee and the Sustainability Committee. During the year, there were no major concerns that were identified, which warranted consideration or review by the Board..

The stakeholder engagement process presented from page 28 to 30 shows the methodology adopted in identifying issues and expectation of stakeholders.

## Stakeholder Engagement

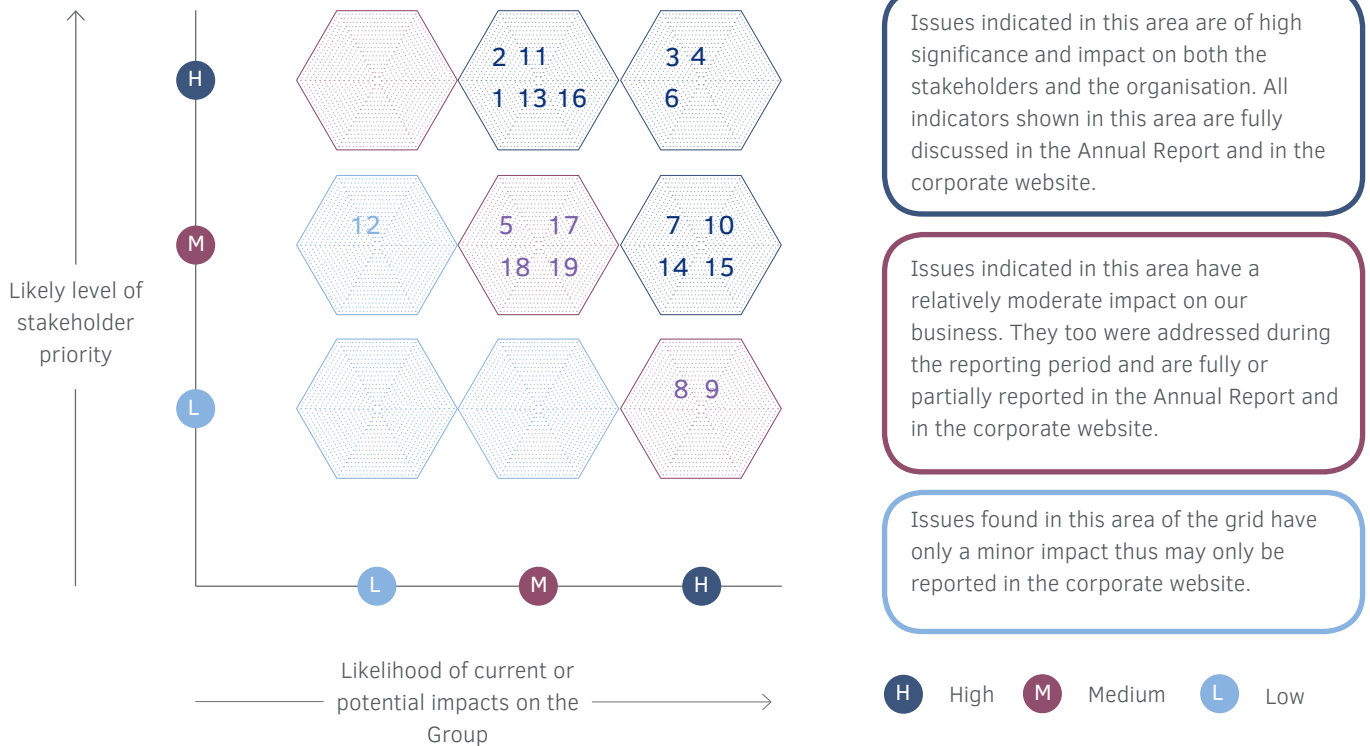
The table below illustrates how we engage with our important stakeholder groups.

Stakeholder	Engagement Method	Frequency
<b>Shareholders</b> <ul style="list-style-type: none"> <li>Owners</li> <li>Providers of financial capital</li> </ul>	<ul style="list-style-type: none"> <li>One-to-one interviews (by independent parties)</li> <li>Annual General Meeting provides an opportunity to review the past year's performance and engage in discussions with the management</li> <li>Annual Report</li> <li>Quarterly Financial Statements providing the quarterly Performance.</li> <li>Company Website</li> <li>CSE website</li> </ul>	<ul style="list-style-type: none"> <li>Once every 3 years</li> <li>Once a year</li> <li>Once a year</li> <li>Once every quarter</li> <li>Online</li> <li>Online</li> </ul>
<b>Customers</b> <ul style="list-style-type: none"> <li>Principal source of sustenance</li> </ul>	<ul style="list-style-type: none"> <li>One-to-one interviews</li> <li>Customer Relationship Management process (CRM) enables the Company to keep in touch with the customer on a daily basis. It helps to respond to queries and problems from the customer. 'Problem solving' for challenges the customer faces is also done through the CRM process</li> <li>A Customer Satisfaction Index maintained by each business unit provides an assessment of satisfaction levels and helps to improve problem solving capacities within the Company</li> <li>DIMO "Fleet Owners Clubs" for Loyalty Customers</li> <li>"Mercedes-Benz Club"</li> <li>24 hour roadside assistance</li> </ul>	<ul style="list-style-type: none"> <li>Once every 3 years</li> <li>24 hours, 7 days</li> <li>Once a month/ quarter</li> <li>Continuous</li> <li>Continuous</li> <li>24 hours, 7 days</li> </ul>
<b>Business Partners &amp; Suppliers</b> <ul style="list-style-type: none"> <li>Critical link in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>One-to-one interview (by independent parties)</li> <li>A high speed 24 x 7 online link enables constant dialogue with principals. Issues discussed include product quality, marketing, customer satisfaction, 'problem solving' and employee motivation</li> <li>On-site visits from principals and on-site visits to principals' locations facilitate engagement.</li> </ul>	<ul style="list-style-type: none"> <li>Once every 3 years</li> <li>Continuous</li> <li>Continuous</li> </ul>
<b>Employees</b> <ul style="list-style-type: none"> <li>The key resource for competitive advantage and sustainable growth</li> </ul>	<ul style="list-style-type: none"> <li>One-to-one interviews (by independent parties)</li> <li>Focus group discussions (by independent parties)</li> <li>Employee Council meetings</li> <li>Employee Portal of the company network accessible to every employee.</li> <li>Annual strategic planning meeting</li> <li>Company's 'Open Door' policy encourages direct employee – management dialogue</li> <li>Annual Employee Surveys - voluntary and confidential</li> <li>HR Clinics</li> <li>Individual Performance Reviews – bi-annually</li> <li>Employee Reward and Recognition</li> </ul>	<ul style="list-style-type: none"> <li>Once every 3 years</li> <li>Once every 3 years</li> <li>Once a month</li> <li>Continuous</li> <li>Once a year</li> <li>Continuous</li> <li>Once a year</li> <li>Bi Annual</li> <li>Continuous</li> <li>Continuous</li> </ul>
<b>Society</b> <ul style="list-style-type: none"> <li>Local immediate communities</li> <li>Stakeholders in sustainable development</li> <li>Regulatory and government agencies</li> </ul>	<ul style="list-style-type: none"> <li>One-to-one interviews (by independent parties)</li> <li>Focus groups discussion (by independent parties)</li> <li>Dialogue with Religious Dignitaries</li> <li>Written and oral communications initiated by stakeholders</li> <li>Company website</li> <li>One-to-one interview</li> </ul>	<ul style="list-style-type: none"> <li>Once every 3 years</li> <li>Once every 3 years</li> <li>Continuous</li> <li>Continuous</li> <li>On line</li> <li>Once every 3 years</li> </ul>



## Materiality of stakeholder issues

Arising from the stakeholder engagement process, the expectations were rated, assigned and prioritised.



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

● Aspect Boundary within the organisation ● Aspect Boundary outside the organisation

## Stakeholder Engagement

## Status of material issues

Stakeholder concerns (both positive and negative) were considered to update the material issues. The materiality analysis has been brought up-to-date by adding key

inputs and replacing outdated information based on the feedback received from stakeholders. This analysis traces the issues raised, their materiality status (whether it increased, decreased, remained unchanged

from the previous year, or emerged anew in the current year), and the reasons for the shift of status and the Group's response.

## Status of material issues - 2014 vs 2015

Material aspect	Issues raised by	Status of Material Issues	Possible Reason for the Shift	Response
Emissions, Effluents and Waste	Society	◆		Our Environment Management System is constantly working towards minimising emission levels
Technical Education for Youth	Society	◆		We will continue to facilitate external trainees to receive on the job training at no cost
Customer Health and Safety	Customer	◆		We will continue to leverage the specifications and inbuilt health and safety aspects of our blue-chip product portfolio along with our own initiatives to reinforce this aspect
Employee Training and Education	Employee	■	Training hours per employee is increased to 16 hours	Continuous training and development programmes conducted for the employees
Occupational Health and Safety	Employee	◆		Gap Analysis for Occupational Health and Safety Standard (OHSAS) completed
Investment and Procurement Practices for Local Suppliers	Local suppliers	■	Suppliers are not aware of the content of supplier code prepared by the Company.	Will be conducting awareness programs and supplier audits to educate suppliers on the supplier code of conduct
Water	Society	◆		Increase the percentage of recycled/reused ground water
Ethical Marketing Communications	Customer	■	No hindrance to society in terms of ethical marketing practices.	Company communication policy ensures strict compliance with regulations and codes concerning ethical marketing practices
Local Communities	Society	◆		A process to measure community impact precedes all relevant Company activity
Mutually Beneficial Relationships with Suppliers	Suppliers	◆		Constant contact and sharing of information continues. Reports, to Principals will address expectations of Principals
Energy Consumption	Society	■	Reduction in energy usage due to strict energy management	Energy saving measures are implemented across the organisation
Employee Benefits	Employee	■	Increasing confidence and trust employees place in Dimeo.	Dimeo seeks to exceed industry levels wherever possible in delivering benefits to employees

- Materiality of issues increased
- Materiality of issues decreased
- ◆ Materiality of issues remains same
- New Issues identified



## An engaging discussion

If you want to fully understand the DIMO value creation process, you need to read this section in detail. This section is where we analyse the capitals that provide inputs, the performance of diverse business segments and the supply chain activities.

The impact management report reveals the economic, social and environmental impacts of our value creation activities.

32	The Capitals Report
51	Business Report
58	Impact Management Report

## The Capitals Report



## How we build our stores of value

Read about how we have fostered and managed our stores of capitals, which we have categorized as monetised capital; relationship capital arising out of our relationships with customers and business partners; human capital and intellectual capital.

33	Monetised Capital
37	Relationship Capital - Customers
42	Relationship Capital - Business Partners
44	Human Capital
49	Intellectual Capital

## Monetised Capital

Aspect	Measure	2014/15	2013/14	2012/13	2011/12	2010/11
Turnover (Rs.million)		28,037	20,884	27,711	39,863	29,357
Profitability	Gross profit ratio (%)	19.39	20.87	15.21	18.23	20.30
	Net profit ratio (%)	2.14	1.90	1.70	6.81	7.20
Working Capital Management	Current ratio (times) at the year end	1.45	1.50	1.71	1.60	1.27
	Quick Assets Ratio (times) at the year end	0.75	0.70	0.72	0.36	0.84
Asset Utilisation	Fixed Asset Turnover (times)	3.51	3.10	4.98	8.55	9.59
Investments	Capital expenditure as a percentage of total assets (%)	4.06	8.66	8.50	6.20	9.90
Capital Structure	Debt/Equity (%) - at year end	17.29	23.15	10.10	13.40	9.80
	Interest cover (times)	3.06	2.42	2.24	15.67	17.35

Monetised capital represents financial, manufactured and natural capital that is monetised and stated in the Financial Statements in monetary terms. The analysis of the financial position and financial performance presented in the financial review provides insights into the monetised capital of the Group and the Company.

## Financial Review

### Overview

The Group delivered a strong performance in a relatively conducive financial environment. Improved revenues supported by relatively lower interest rates drove the profit before tax up. The vehicles related segments led the increase in turnover, gross profit and consequently the net profit before tax.

### Financial Environment

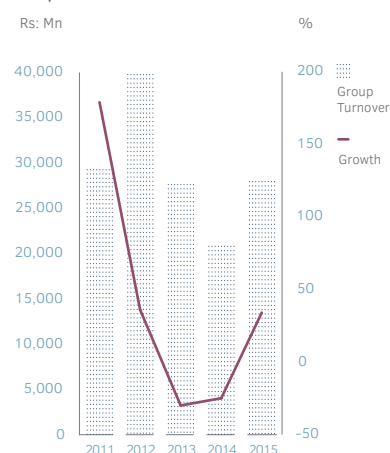
The reduction in borrowing rates and relatively stable or favourable foreign exchange rates provided a financial background that is conducive to business and for financial management.

### Turnover

The Group turnover increased by 34% to Rs.28.0 billion when compared with last year's turnover of Rs.20.8 billion. The turnover of Vehicles Sales segment increased 36% to Rs.17.9 billion (Rs.13.2 billion – 2013/14). Vehicle – After Services, Marketing and Distribution and Construction and Material Handling Machinery turnover

increased by 54%, 26% and 37% respectively (Decrease in Vehicles – After Services and Construction and Material Handling Machinery by 10%, and 8% respectively and increase in Marketing and Distribution by 24% – 2013/14).

### Group Turnover

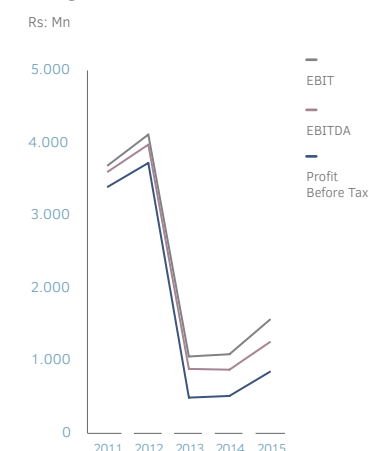


### Profitability

The gross profit margin declined from 20.8% to 19.4% in 2014/15. Vehicle Sales segment was the main contributor to this reduction. The gross profit margin in this segment was impacted due to intense competition in the passenger car segment. However, gross profit increased to Rs. 5,389 million from Rs. 4,317 million the previous year, due to the increase in turnover.

## Earnings

### Earnings



The earnings before interest and tax increased significantly to Rs.1,257.2 million from Rs.874.5 million previous year. The profit before taxation increased by 65% (5% – 2013/14) to Rs.847 million from Rs.512.8 million previous year. The administrative and distribution expenses totalled to Rs.4,183 million compared to Rs.3,511 million in the previous year.

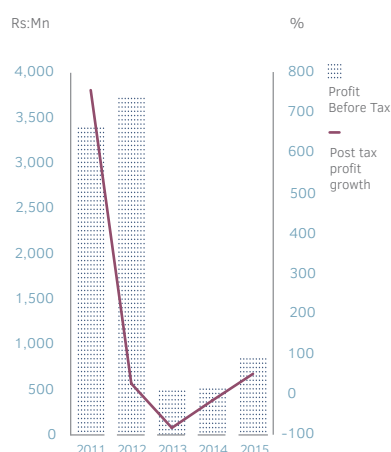
The earnings per share (EPS) was Rs.67.15 per share compared to Rs.44.34 per share last year. The computation of EPS is given in Note 4.7 to the Financial Statements.

## The Capitals Report

### Monetised Capital

The net profit after tax increased by 51% to Rs.596 million (reduction of 13% and Rs.393.5 million- 2013/14).

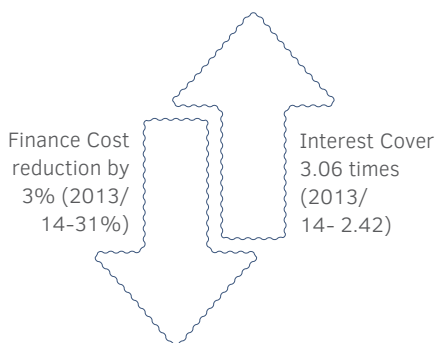
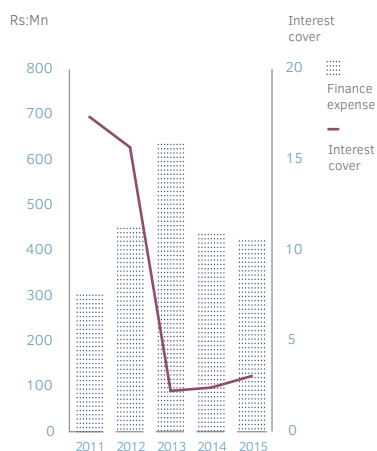
Growth in Profit



### Finance expenses

The finance expense reduced by 3% to Rs.423 million from Rs.437 million in the previous year. As a result of increased profit and reduction in interest cost during last two quarters, the interest cover moved towards a favourable position of 3.06 times to that of 2.42 times in the previous year.

Finance expense and Interest coverage



### Taxation

Income tax expense for the year was Rs.250.9 million (Rs.119.3 million-2013/14). The effective tax rate on Group profits increased to 16% as against 13% in the previous year. The rate of income tax applicable to the Company and the subsidiaries was 28%, whilst the rate applicable to profits from exports was a concessionary rate of 12%. A reconciliation of accounting profit with the tax expense is available in Note 4.6 to the Financial Statements. The tax expense includes a tax charge of Rs.95.5 million on account of deferred tax (Rs.44.2 million - 2013/14). The increase in deferred tax charge was mainly on account of capitalisation of buildings relating to Dimo 800 facility and the showroom and workshop complex in Jaffna, which were capitalised during the previous financial year and the year under review respectively. A summarised computation of deferred tax is given in Note 4.23 to the Financial Statements.

### Dividends

The Directors have approved a first and final dividend of Rs.20 per share (first and final dividend of Rs.10 per share in 2013/14) for the year ended 31st March 2015. The gross dividend amounts to Rs.177.5 million (Rs.88.7 million - 2013/14). The dividend payout ratio is 29.8% in 2014/15 compared to 22.6% in 2013/14. The dividend cover applicable to the financial year was 3.4 times (4.4 times in 2013/14).

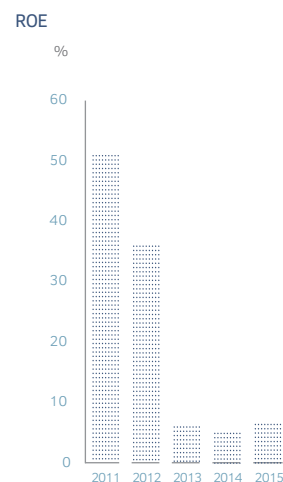
The Company has access to necessary funds to finance the payment of the first and final dividend.

### Solvency

Section 56 of the Companies Act No.7 of 2007, requires that a solvency test be carried out prior to the payment of dividends. In order to satisfy this requirement, the Company's Independent Auditors certified that the Company meets the requisite solvency levels for payment of the approved dividend.

### Return on equity (ROE)

As a result of improvement in the profit after tax, ROE increased to 6.45% from a ratio of 4.97% in the previous year.



### Capital expenditure

The Company continued with the planned investments to expand capacity. Capital expenditure on property, plant and equipment during the year was Rs.733.2 million compared to Rs.1,393.5 million in 2013/14. Of this, Rs.243.2 million and Rs.67.9 million related to capital expenditure on Dimo 800 and the Jaffna branch complex respectively. An amount of Rs.176.5 million was invested on the acquisition of a property adjacent to the head office.





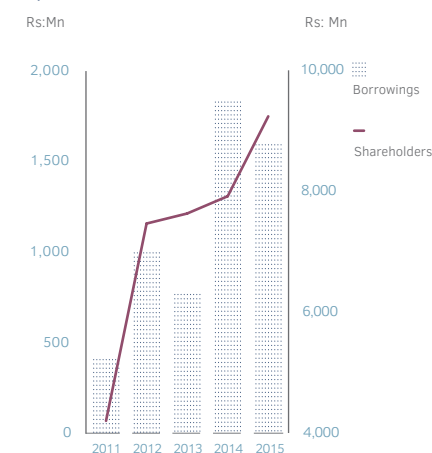
## Borrowings

The outstanding long term debt as at 31st March 2015 was Rs.1, 597 million (Rs.1, 832 million – 2013/14) indicating a reduction of approximately 13%. The interest rate reductions during the year afforded an opportunity to re-structure part of the term loans. Short term borrowings were obtained to finance working capital. The outstanding balance as at 31st March 2015 on account of short term loans was Rs.3,657 million (Rs.4,117 million –2013/14). Consequently, a total of Rs.5,254 million (Rs.5,949 million – 2013/14) was outstanding on account of short and long term borrowings as at 31st March 2015. Interest rates on overdrafts are reviewed periodically while rates charged on short term/import loans are determined based on market rates.

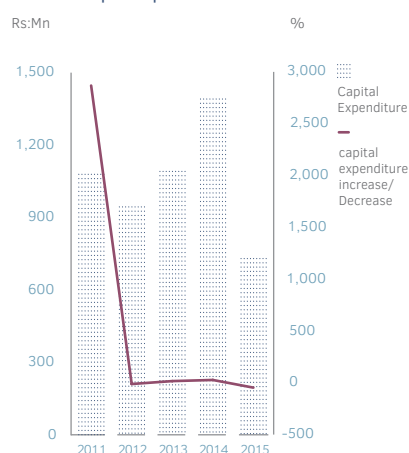
## Debt to equity ratio

The Group's debt to equity as at the year-end, which is calculated as a proportion of the total interest bearing borrowings to equity has come down to 17.3% from 23.1%. The improvement in the ratio was due to the reduction in the total long term Debt from Rs.1,832 million to Rs.1,597 million and increase in shareholders' funds from Rs.7.9 billion to Rs.9.2 billion.

## Capital Structure



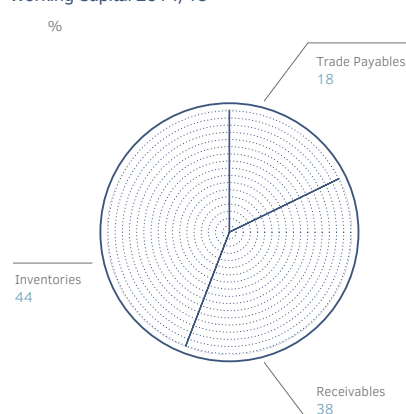
## Growth in Capital Expenditure



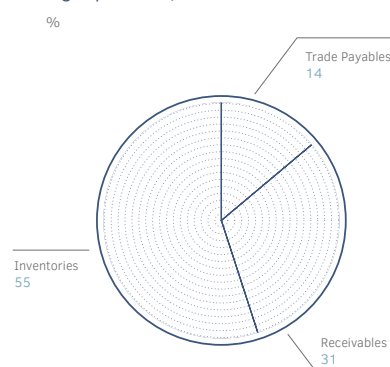
## Working capital

The Group's current ratio at the year-end was 1.45:1, which is a marginal reduction from the corresponding ratio of 1.50:1. Prudent management of working capital continues to be a key focus area and receives attention on a priority basis. Inventory as at the year-end decreased to Rs.4,778 million compared to Rs.4,867 million previous year. Year-end trade and other receivables increased to Rs.4,118 million from a corresponding figure of Rs.2,742 million. The increase in trade receivables is attributed to higher turnover recorded for the last two months of the financial year under review.

## Working Capital 2014/15



## Working Capital 2013/14



## The Capitals Report

### Monetised Capital

#### Cash flow

Net cash generated from operations amounted to Rs.648 million. However, investing activities and financing activities caused the cash and cash equivalents to decrease by Rs.370 million during the year. The outflow on account of interest and dividend payments amounted to Rs.424 million and Rs.88.7 million respectively (Rs.438.6 million and Rs.88.7 million respectively for 2013/14). Outflow on account of capital expenditure during the year was Rs.733.2 million (Rs.1,393.5 million - 2013/14). The Group possesses the necessary banking facilities to support its operations.

Financial Contractual Obligation to Financial Institutions as at 31st March 2015 are given below:

Obligation	Amount due 2015 Rs. million	Amount due 2014 Rs. million	Due date
Long-Term Borrowing	1,597	1,832	Equal monthly instalment for 5 to 10 years
Short-term loans	3,466	3,836	On maturity at terms ranging from one month to six months
Overdraft	191	281	On demand
Letter of credit	2,194	1,829	As per LC condition
Bank Guarantees	414	427	As per Guarantee condition
Bid bonds/Performance Bond	272	327	As per Bond condition

#### Ten year summary

Ten year summary of financial information is available on page 167.

#### Treasury management

The Group operates a central treasury function. It controls decisions in respect of cash management, utilisation of borrowing facilities, banking relationships and foreign currency exposure management. The centralised treasury function enables effective cross utilisation of funds between Business Units.

- ♦ Financial investment in capacity building in order to drive growth.
- ♦ Optimising profitability through value addition and efficient utilisation of resources particularly through prudent working capital management.
- ♦ Striking a balance between growth and immediate profitability in allocating financial resources.
- ♦ Maintaining a healthy Statement of Financial Position.

#### Financial priorities

The following financial priorities have been identified to be in a state of readiness to pursue the opportunities that the rapid economic development will present to the Group.



## Relationship Capital - Customers

Dimo has built very strong relationships with its external stakeholders over the years. Through these relationships, we have built a mutual willingness to engage with each other sharing common values. These relationships built on trust and mutual benefit have been transformed into stores of value. The trust

and reciprocal value in each other determine the strength of the relationship. These relationships form a key part of Dimo's non – monetised capital. The relationships with customers and business partners are the two key constituents of our relationship capital.

Aspect	Measure	2014/15	2013/14	2012/13	2011/12	2010/11
Customer Service	No. of CRM Personnel	39	30	35	42	4
Customer Convenience	No. of Customer Interaction Points	57	56	52	40	25
	No. of Business locations in the North and East	7	7	8	4	0
Customer Satisfaction	Average Customer Satisfaction Index (%)	90	88	85.5	89.2	85.6
Relationship with Principals	No. of principals	77	77	81	78	72
	No. of relationships above 50 years	7	7	6	6	6
	No. of relationships between 25 to 50 years	9	8	10	9	9
	No. of relationships between 01 to 25 years	52	54	58	55	41
	No. of new relationships commenced during the year	9	8	7	8	16
Relationship with local suppliers	Payments to local suppliers (Rs.billion)	4.3	5.3	4.7	4.5	3.9

## The Capitals Report

### Relationship Capital - Customers

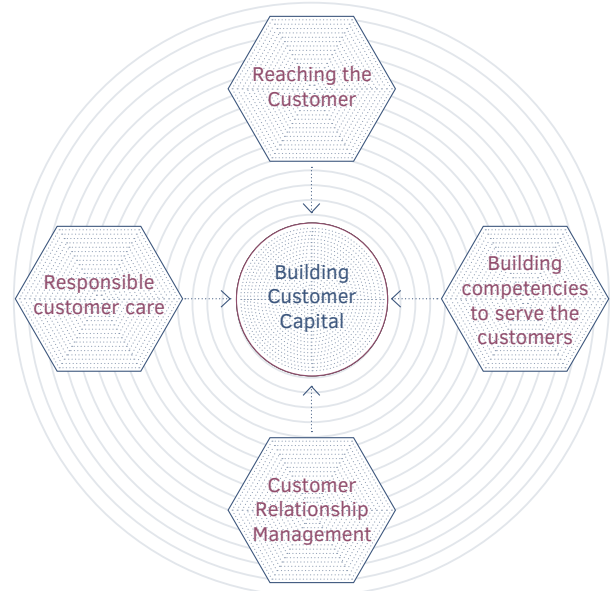
Customers are the focus of DIMO's value creation process. Customers are the ultimate beneficiaries of our supply chain process. Our goal is to build trust and value for our multi-sector group of customers.

#### Management Approach

Understanding customers lies at the heart of our management approach. Unravelling multi-layered customer needs, responding to their aspirations and delivering products that enhance customer experience and satisfaction underpin our approach to building customer capital and trust at DIMO. We support this with high levels of product safety, regular customer engagement and ethical marketing practices.

Our efforts to build customer capital are focused on five main areas

1. Reaching the customers
2. Building a customer centric team
3. Managing customer relations
4. Enhancing safety
5. Ethical Marketing

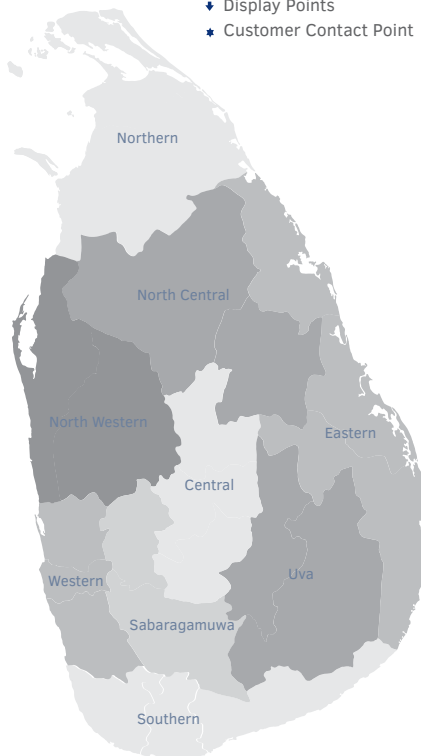


#### Network of Customer Points

Western Province	Contact No.	
Head Office	112449797	■
TATA Showroom	112449711	▲
Komatsu & KSB sales	112449797	▲
TATA spare parts showroom	114602100	▲
Dimo Mart	114360014	▲
Agri machinery sale centre	112449797	▲
BOSCH service centre	773399933	▲
Construction spare parts sales	114645384	▲
MB Center	114448989	▲
Medical Engineering & Power Engineering Solutions	114607100	▲
Total Marine Solutions	114602000	▲
Tyres, Power Tools sales & power service	114645141	▲
Siyambalape Complex	112400670	▲
Dimo Logistics Centre	334934753	▲
TATA Passenger Car Workshop - Moratuwa	114645487	▲
Moratuwa	114645735	★
DIMO Tyre Mart	114501035	▲
Gampaha	334641034	▲
Wennappuwa	312254866	★
Yakkala	334641004	↓
Awissawella	364641002	↓
Piliyandala	114376943	★
Padukka	114645754	★
Horana	344947836	★
Kurana	314641026	★
Mathugama	344941129	★

North Western Province	Contact No.	
Kuliyapitiya	374501009	★
Kurunegala Branch	374697800	▲
FMC Project/Quary	773602883	▲
Puttlam	324930526	↓
Nikaweratiya	374944378	↓

- Head office
- ▲ Branches
- ↓ Display Points
- ★ Customer Contact Point



Northern Province	Contact No.	
Jaffna	214923672	▲
Vavuniya	244925009	↓
Mannar	234920459	★

Eastern Province	Contact No.	
Trincomalee	264641020	▲
Batticaloa	654927345	★
Ampara Branch	634923406	▲
Akkaraipattu	674923847	↓

Central Province	Contact No.	
Kandy Branch - Katugastota	814940829	▲
Kandy Branch Work Shop Balagolla	814950445	▲

Sabaragamuwa Province	Contact No.	
Kegalla	354641007	★
Rathnapura Branch	454928620	▲
Embilipitiya	474931050	↓

Uva Province	Contact No.	
Monaragala	554641012	★
Mahiyanganaya	554641022	↓

Southern Province	Contact No.	
Moravaka	414641060	★
Matara Branch	414929378-9	▲
Nasevana Technical Institute	474641022	▲
Ambalangoda	914941158	↓
Tissamaharama	474932442	↓
Ambalantota	474934019	★

## Reaching Customers

We use multiple ways to 'reach the customer', both new and existing customers. Our physical presence through our state-of-the-art showrooms and the island-wide branch network is one of the most important ways in which we reach out to customers. We have 17 showrooms/meeting points in Colombo, 15 Branches, 12 Customer Contact Points and 13 Display Points. All these customer points contribute to creating a strong brand presence in different parts of the country.

All our 'customer points' have technical experts who provide technical advice on our different products to customers.

We also have a mobile physical presence. Our sales team is continually on the move travelling to different parts of the country and engaging in sales and promotional activity. Through regular mobile campaigns we ensure that DIMO reaches customers who are not close to our showrooms and customer points.

## The DIMO Branch Network

	Colombo	Branches	Display Points	Customer Contact Points
2014/15	17	15	12	13
2013/14	17	14	12	13
2012/13	18	13	9	12

## Online Engagement

We maintain a strong online presence. DIMO's state-of-the-art web site and Facebook page helps the tech-savvy customer access information on our products online. Our web site provides detailed information on our products, special offers and financial packages. There has been a steady increase over the years in the number of visitors to our website and Facebook page, and the table below provides an overview of this growth in online access:

Year	Website (Page views during the year)	Facebook (Likes as at 31st March)
2014/15	1,219,446	201,469
2013/14	700,074	94,579
2012/13	514,253	18,965

## Strategic Alliances

The company has forged several strategic alliances with banks and financial institutions to ensure that customers have access to specialised leasing packages that facilitate vehicle purchases. This includes competitive lease rentals, lower 'down payments' and special offers.

## Building a Customer-Centric Team

DIMO's human resource strategy has focused on building customer-centric teams. 'Customer-Focus' as a key corporate value is introduced at the stage an employee joins the company and during the employee's orientation. This value is constantly emphasised as the employee progresses up the ladder of responsibility and at all training programmes the employee is exposed to. Both in-house and external training modules dwell significantly on the value of responding to and engaging with customers and contribute to building capacity.

## The Capitals Report

### Relationship Capital - Customers

The table below shows the training provided to sales teams and service teams over the past year:

Year	Sales Staff		Service Staff	
	No of persons trained	No of Training Hours	No of persons trained	No of Training Hours
2014/15	1,224	7,297	2,432	16,739
2013/14	638	3,873	1,900	16,146
2012/13	717	4,480	1,677	14,779

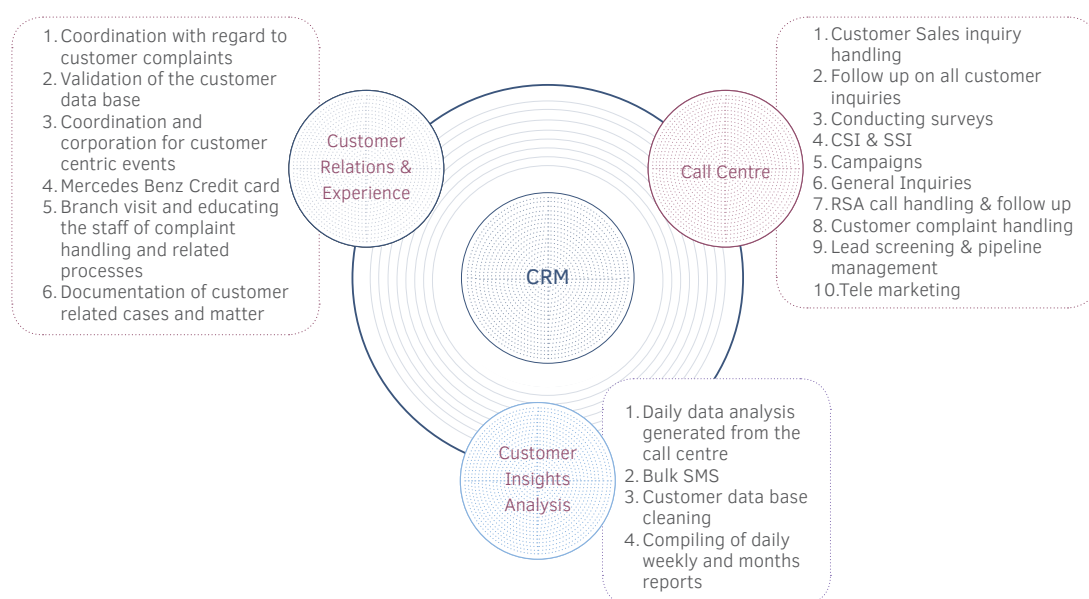
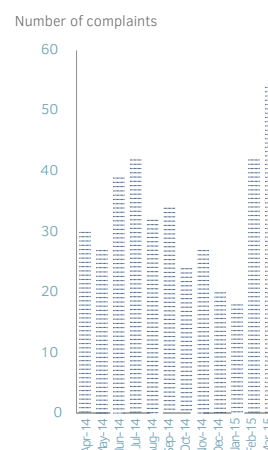
### Managing Customer Relations

Customer relationship management straddles several facets: customer database management, complaints handling, customer satisfaction measurement, customer engagement and interaction. The CRM team also acts as the first point of contact for customer inquiries.

DIMO's current customer base includes 1,171 individuals, 8,277 businesses and 435 government institutions. This number excludes walk-in customers who call over at our retail outlets and make cash purchases.

During the year under review, the CRM division received 389 (492 in 2013/14) customer complaints. Of these, 284(361 in 2013/14) were resolved within three days. Other more complicated complaints took longer to respond to, but were eventually resolved. The table given below provides a summary of complaints handled during the year.

Monthly Customer Complaints for 2014-15



## Customer Satisfaction Index

Market Segment	Weighted Average CSI (%)	
	2014/15	2013/14
Vehicles – Sales	87%	90%
Vehicles – After-Services	84%	85%
Marketing and distribution	91%	86%
Construction & Material Handling Equipment and after-services	88%	90%
Electro-Mechanical , Bio Medical Engineering and marine solutions	93%	88%

## Engaging the Customer

To us customers are never faceless, never mere ciphers, never lines on a graph. They are very real and we take steps to know all of them very well. Engaging with customers on a variety of issues and adding value to their lives is an on-going process at DIMO and helps enhance the trust placed in the DIMO brand.

We use surveys, market research studies and meetings to understand customer needs among various segment groups and to record their levels of satisfaction. The analysis of this data is fed into a process within the company and contributes to enhancing the customer experience.

## Going the Extra Mile

DIMO's signature programmes focus on nurturing the customer relationship and engaging with different customer segments.

The 25-year 'Mercedes Benz Club' of Sri Lanka consists of a niche group of Mercedes Benz owners. The Club together with DIMO organised the Mercedes-Benz Annual Golf Tournament 2014, the Mercedes Benz pageant 2014 and other social initiatives.

The TATA Drivers' club consists of drivers of Tata Commercial Vehicles.

The TATA Emperor programme provides dedicated service to key TATA customers. Today there are 20 TATA Emperor Customers. The drivers and technical officers of the Emperor Programme received 1,600 hours of training during the past year. This programme won recognition for DIMO as the 'Best Dealer

in Customer Engagement' from TATA Motors India.

A 24 hour island-wide roadside assistance service provides emergency response for TATA commercial vehicles

With the re-launch of the 'Jeep' brand in 2014 DIMO launched the 'Jeep Club' for owners of these vehicles.

'DIMO TATA Mahagedara' is our flagship service centre and workshop that in addition provides accommodation for provincial customers in a 'homely' environment. This is the company's central hub where major repairs such as unit overhauling and collision repairs are done.

## Enhancing Safety

Building trust with customers has meant offering products with the highest levels of safety. DIMO takes every step to ensure that our products are of the highest quality and in conformance with industry standards of health and safety.

In order to accomplish our goals regarding customer comfort, health and safety and well-being, the Group's ISO 9001:2008 accredited Quality Management System is applied throughout the organisation. Our policy of partnering with reputed suppliers who use stringent quality standards and product testing has ensured customer health and safety over the years.

All our operations are guided by all relevant safety regulations. Assessments have been carried out with regard to the potential health and safety impacts of all our products and services. Our employees are aligned with the demands of our Quality Management System which requires that the services delivered by them are evaluated against rigorous internal standards. These stringent standards ensured that there were no breaches of health and safety standards in the year under review.

## Product Labelling

All our products contain comprehensive product related information in order to build customer trust. The company conforms to all statutory requirements, including diagrams and pictographs, expiry dates, standardisation code numbers and information on possible environmental impacts. Products carry quality certification stamps and provide the relevant labelling, catalogue reference, where applicable, and user manuals. Based on the guidelines of our principals and globally accepted best practices, our goal is to ensure that the highest levels of safety are observed in our 'after care' process.

The products we market, the vehicle servicing that we offer, and the engineering solutions that we provide, are all environmentally friendly and comply with all applicable environmental regulations. Last year there were no reported cases of breaches of product and service labelling regulations.

## Ethical Marketing

DIMO's marketing communications are executed in an ethical and accurate manner. This helps build customer trust and protects brand value. Our communications do not carry misrepresentations regarding any of the products or services we offer. We often draw guidance from the codes of best practice adopted by our principals. Customer data in our possession is stored in secure data bases and used only for legitimate activities. There were no breaches of policy or any instances of statutory non-compliance in the year under review.



## The Capitals Report

### Relationship Capital - Business Partners

The capital that 'Business Partners' constitute, contributes a vital ingredient to the value we build. The products, services and solutions they offer combine well with the other capitals that DIMO brings to create a brand of lasting value.

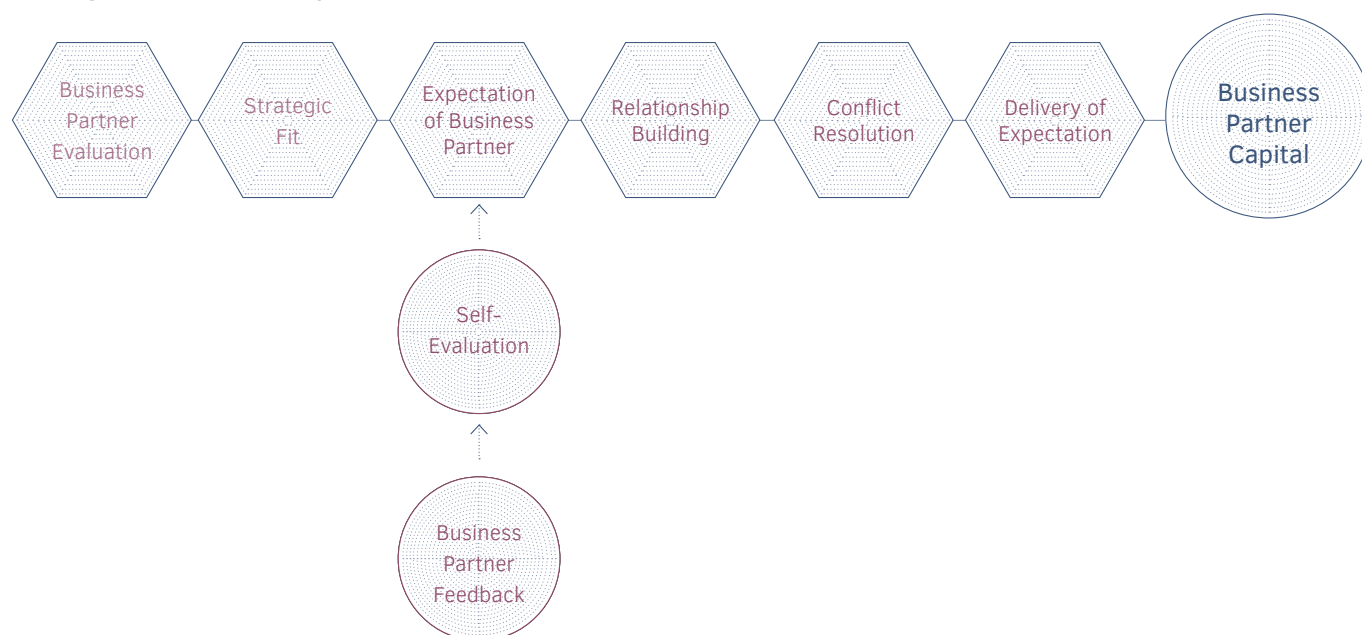
#### Management Approach

DIMO's products, services and solutions originate from leading global brands. DIMO's process of nurturing and building this capital occurs in a structured and strategic way.

Building 'business partner capital' starts with identifying the right partner and exploring its strategic fit with DIMO's corporate goals and values. DIMO's goal is to be a magnet that attracts the best global brands who in turn view DIMO as a strategic partner that furthers their own corporate goals and builds value for the partner's multiple stakeholders. Prior to entering into partnership agreements, DIMO assesses the partner's expectations and considers if those expectations could be met in the short-term and sustained in the long-term. This applies to both global and local partners.

If there is a strategic fit and the corporate goals align, DIMO then starts a process of relationship building with the business partner to ensure that it delivers on the expectations the partner entertains. Like any relationship this entails managing conflict and resolving outstanding issues. Managing the business partner relationship, periodic performance review, and delivering on expectations are vital in building business partner value.

#### Building Business Partner Capital



#### Relationships of Lasting Value

For over 75 years DIMO has built relationships with some of the world's best brands. We seek strong and enduring relationships with our business partners in order to offer a unique value proposition to our customers. Three important ideas have shaped our relations with our business partners: Trust, Transparency and Longevity. Using these ideas as a foundation, we have invested in long-term and mutually rewarding partnerships with some of the world's best brands. Eight of our business partners are featured in the 'Fortune 500' list published in 2014.

The table below provides a summary of the length of the relationship with our business partners.

#### Longevity of Relationships

Relationship in number years	2015	2014
Principals	77	68
Relationship above 50 years	7	7
Relationship between 25 to 50 years	9	8
Relationship between 1 to 25 years	52	46
New relationships	9	7

## Shared Values

In sourcing partners, the company identifies entities that share DIMO's values. DIMO is committed to responsible and sustainable entrepreneurship and in its dealings with partners has made an effort to develop relations with those companies that share a similar commitment. In partnership building Dimo has looked for companies that are committed to environmental protection, respecting labour standards, promoting human rights, fostering equal opportunity, eliminating corruption and anti-competitive behaviour, and ensuring occupational safety at the workplace. These values are reflected in the company's Supplier Code and suppliers have responded positively in integrating these values into their own supply chains.

## Business Partner Evaluation

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

## Partner Expectations

The expectations of foreign principals are ascertained at the beginning of a relationship and then periodically reviewed as the relationship grows. Performance reviews take place regularly and the fit between expectations and performance are constantly assessed. DIMO also conducts an annual survey with a representative sample of business partners to measure their satisfaction level.

Integrated into the company's process of value creation is the use of independent third-party stakeholder surveys, which include interviews with suppliers, market research for business development and assessing customer satisfaction. The surveys involving business partners are aimed at generating candid feedback on relationships with business partners and on how these relationships could be developed and strengthened.

## Local Suppliers

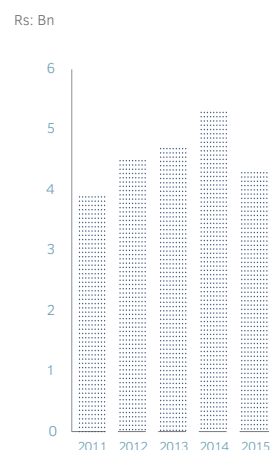
Local value addition is something that we uphold, as it makes a positive impact on the country's economy. Similar to our partnerships with foreign principals, we seek enduring long term relationships with local business partners too. Here too we seek partners who share our commitment to doing business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

At the end of the last financial year 146 major local suppliers committed to upholding the Supplier Code. To us at DIMO, this is a major accomplishment. Rs.4.3 billion was paid to local suppliers during the year 2014/15 (5.3 billion in 2013/14).

## Grievance Response

Grievances that emanate from the company, local suppliers or principals, are resolved speedily. Regular feedback and open communication with partners have reduced the space for conflict. The company has aimed at constructive and critical engagement with all partners. It is an engagement that is forward looking and solution oriented and aimed at strengthening already existing relationships. The principals' report, prepared and submitted by DIMO on an annual basis provides a platform and an opportunity to identify and focus on expectation gaps.

Payment to local supplier





## The Capitals Report

### Human Capital

Aspect	Measure	2014/15	2013/14	2012/13	2011/12	2010/11
Employee attrition ratio	Employee turnover as percentage of average employees (%)	17.10	17.20	21.81	21.10	19.30
Gender distribution	Female employees as a percentage of total employees	11	10	10	11	10
Age distribution	Percentage of employees below 40 years of age	81	79	79	81	76
Employee satisfaction	Employee Satisfaction Index (%)	62.38	61.10	53.46	62.7	54
Knowledge and skills development	Average training hours per employee	15.65	13.10	16.00	13.52	10.9

#### Encouraging Talent

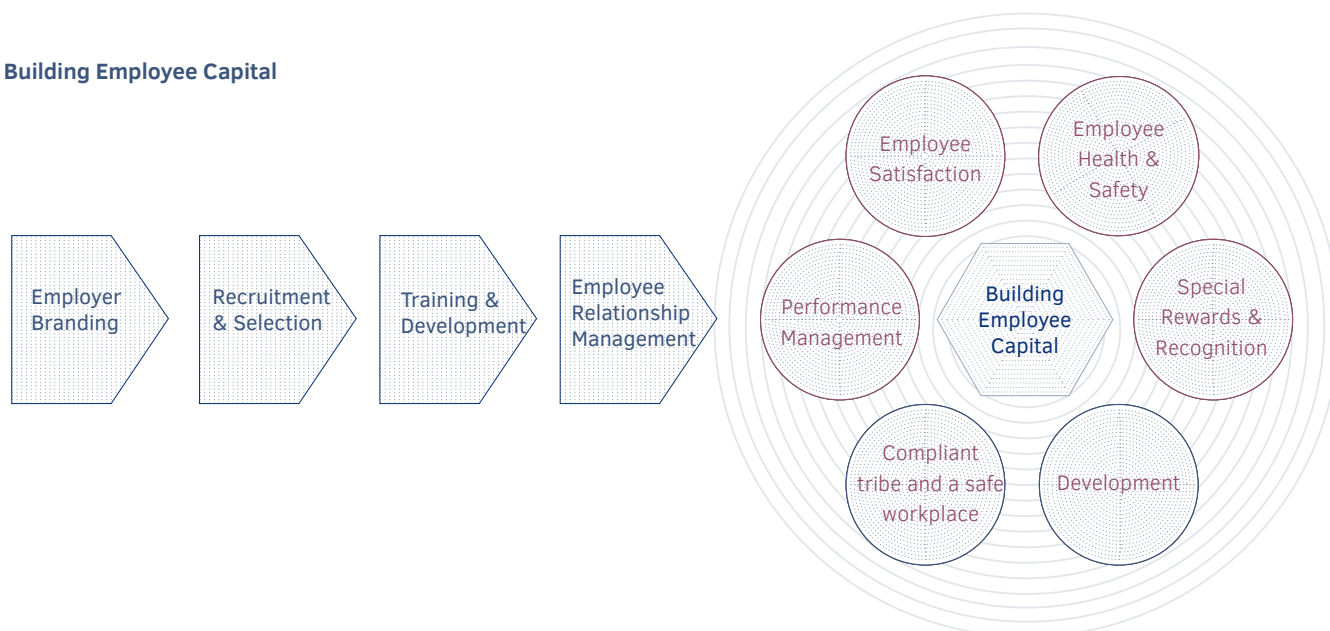
Attracting, managing and inspiring talent is an important part of DIMO's value creation process. Talent, if managed with astuteness, is able to mould other types of capital, and deliver sustainable value in multiple areas to multiple stakeholders.

#### Management Approach

DIMO's approach to building employee capital is guided by five principles. We believe in putting 'employees first' because it is they who drive the other forms of capital and deliver value to our stakeholders. We believe that employee engagement is crucial in driving value creation. We are also guided by the idea that value should be

created responsibly and we seek to inculcate this in our training and engagement with employees. At DIMO work should be enjoyable and rewarding and we strive to create work spaces that provide a conducive and inspiring environment. Finally, through its approach to building employee capital, DIMO aims to become a magnet, attracting and retaining the best talent in the market.

#### Building Employee Capital



#### Employee Diversity

As at 31st March 2015 the DIMO tribe consisted of 1,535 employees, an increase of 1.5% over the previous year's figure of 1,519. Employees come from all parts of the country and from different social strata. The male: female ratio was 8:1

## Employee by Segments

Description		Age											
		<20		21-30		31-40		41-50		51<		Total	
		2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Board of Directors	M									7	7	7	7
	F											-	
Senior Management	M			1	1	20	21	17	14	8	9	46	45
	F					2	2	1	1			3	3
Middle Management	M			66	64	88	91	27	20	17	17	198	192
	F			9	9	16	10	5	4	4	4	34	27
Executive	M			140	144	177	150	61	56	34	35	412	385
	F			32	35	14	10	7	6	5	5	58	56
Clerical/ Supervisory	M	8		200	208	104	108	24	22	13	16	349	354
	F			59	55	6	5	1	1			66	61
Manual	M	6	9	161	167	85	90	23	26	11	13	286	305
	F		1									-	0
Non Ex- Contract	M	5		27	26	11	17	10	13	20	23	73	79
	F				1	1	1			2	2	3	4
Total		19	10	695	710	524	505	176	163	121	131	1,535	1,519

## Employer of Choice

Our goal is to make DIMO an Employer of Choice and we use a variety of strategies to communicate this internally and externally. Internally, our processes are geared to making every employee a brand ambassador. Externally, we share our 'people philosophy' and try to explain to external stakeholders, what it means to be part of the DIMO tribe.

DIMO has been listed in the top 20 of the 'Great Places to Work in Sri Lanka' and received this accolade for the third consecutive year from the Great Place to Work Institute. Two-thirds of the marks are derived from the Trust Index, which is based entirely on employee feed-back. The balance marks are scored based on a culture audit, which is an assessment of HR practices in the company.

DIMO received the Gold Award at the 2014 Human Resource Management Awards organised by the Association of Human Resource Professionals (HRP) acknowledging that the company is among the top 10 companies in Sri Lanka for the soundness and impact of its HR practices. The company was also honoured with an award for 'being the best' in Employee Relations.

The company's HR Facebook page, Careers@Dimo, with over 100,000 likes, gives a sense of what it feels like to be a DIMO employee.



DIMO is one of the 20 great places to work for in Sri Lanka

## Talent Acquisition and Leadership Development

Recruitment of new talent and retention of existing talent is a key challenge. All employers fish in the same pond and as a company we have to make sure we offer attracts the most talented. We have to be the best amongst the best to attract and retain the best talent. Employer branding, employee development and employee engagement, ensure that we are able to recruit and retain skilled and competent talent.

## The Capitals Report

### Human Capital

The management trainee program at DIMO is aimed at creating future leaders to lead the company. DIMO's 'D talent Pool', is a niche talent pool specially nurtured to play key roles in the organisation and to drive its future. Our links with universities through special career guidance and placement programmes enable us to interact with young talent and attract them to join the tribe. DIMO's Auto Training School provides us with technical talent. The company identifies business specialists and business support specialists and through special development plans trains them to assume roles as future leaders of the company.

#### Talent Development

DIMO provides training for staff locally and overseas. Training programmes are evaluated by the employee's supervisor subsequently, to ascertain the impact. The company places a special emphasis on communication and provides special training to employees to improve their communication and public speaking skills, through the DIMO Toastmasters Club.



Overall gold and award for 'Best Employee Relations' at the Association of Human Resource Professionals' Human Resource Management Awards 2014

The charts below detail training hours by category and gender

Category	Gender	No. of Employees	No. of Training Hours	Per employee training hours per year		
				2014/15	2013/14	2012/13
Board of Directors	M	7	33.5	4.78	75.92	23.79
	F	-	-	-	-	0.00
Senior Management	M	46	1,448.0	31.48	14.28	65.01
	F	3	77.0	25.66	16.00	46.00
Middle Management	M	198	5,171.5	26.11	26.82	23.53
	F	34	356.5	10.48	20.90	24.18
Executive	M	412	8,202.5	19.90	14.57	17.12
	F	58	1,060.5	18.28	25.75	25.99
Clerical/ Supervisory	M	349	3,069.0	8.79	7.96	10.88
	F	66	784	11.87	9.13	15.13
Manual & Contract	M	359	3,820.5	10.64	6.47	9.16
	F	3	14	4.66	5.25	0.00
Total	M	1,371	21,745	15.86	12.62	15.37
	F	164	2,292	13.97	17.38	22.49
		1,535	24,037	15.65	13.10	16.00

#### The talent pool

Description	2014/15	2013/14
Vehicle Sales	330	345
Vehicle Parts and Services	535	503
Marketing & Distribution	245	235
Construction & Material handling Equipment	78	69
Electro-Mechanical Bio-Medical & Marine Engineering	160	183
Shared Services such as Finance, HR, IT, Corporate Communications, CRM, Legal Services and Stakeholder Interactions	187	184
Total	1,535	1,519

## Employee Relationship Management (ERM)

### Employee Relations

DIMO's employee relationship management strategy is focused on strengthening the bonds between the company and its employees. Managing employee expectations, grievance management, transparency, facilitating employee input into strategy, and open communication, are important aspects of DIMO's ERM.

Employees' Council	The Council is represented by each business unit, its heads and the group management committee. The Council meets monthly to discuss concerns of all employees and improvements to the business. Minutes of the meeting can be viewed on the company intranet.
HR Clinics	Representatives of the HR division visit locations with prior notice on a regular basis. The objective of these visits is to discuss and respond to employee grievances. These are one to one meetings between the employee and a representative of the HR division. The General Manager-HR, who is a member of the GMC, also participates at these meetings. 7 HR clinics were conducted during the year under review.
The Company Intranet	The intranet, "DimoNet" enables employees to access a variety of corporate material including promotional campaigns, vacancies, Employees' Council minutes, an e-book library, e-newspapers, the DIMO Code of Business Ethics, company policies and procedures, and corporate events.
Open door policy	DIMO implements an 'Open Door Policy' where any grievance can be discussed with the Chairman or the Chief Executive Officer without prior appointment.

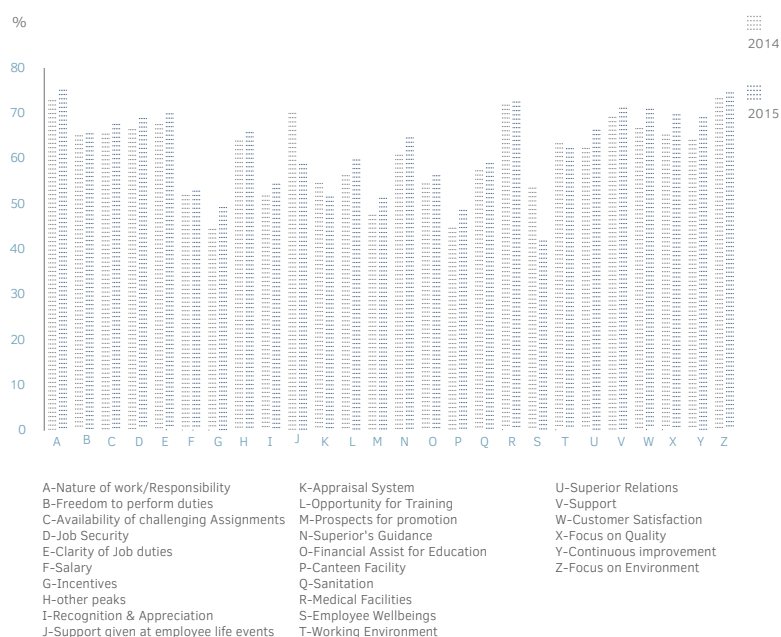
The company's plans for the forthcoming financial year are communicated to all employees at the annual 'DIMO Day', held at the beginning of the financial year.

Quiz competitions, photographic competitions, the annual sports day, the 'biggest loser competition', the annual children's party, the Vesak lantern competition, children's art competitions and other activities help build team spirit within the DIMO tribe.

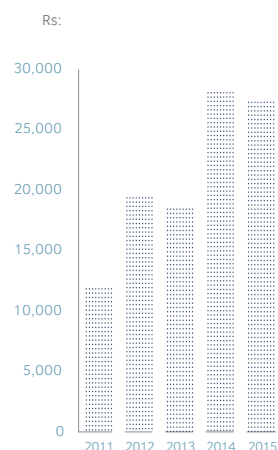
### Ascertaining Employee Satisfaction

Every year, DIMO conducts an employee satisfaction survey. The survey is implemented by an independent third party and the data analysis is presented to the Management. Employees take the survey anonymously. The response rate was 94.74 % (91 % in 2013/14) and the overall satisfaction rate was 62.38% (61.1 % in 2013/14).

Employees Satisfaction Survey Index



Average investment on training per employee



## The Capitals Report

### Human Capital

#### Performance Management

Performance management takes place through the company's online performance appraisal system. Employees are required to take the appraisal twice a year and the appraisal includes the achievement of objectives, a review of competencies and employee self- development.

#### Safe Workspaces

The company ensures that workspaces are safe and that the health and the safety of employees are protected at all times. All workplace injuries are reported to the HR division. Where an injury occurs, the cause for the injury is ascertained and corrective action implemented.

#### Health and Safety at the Workplace

Injuries/Diseases/Fatalities/ Lost day /absenteeism	2014/15		2013/14	
	Total No.	Rate (%)	Total No.	Rate (%)
Injuries	24	1.09	20	1.31
Occupational disease	Nil	-	Nil	-
Lost working days	138.5	-	165	-
Work related fatalities	Nil	-	Nil	-

Employee absenteeism during the year under review was 0.05%, the same figure as in the previous year.

DIMO's HR Policy, Code of Business Ethics, Human Rights Policy and the Whistle Blowing Policy ensure that we create safe, inspiring and ethical workspaces and provide a conducive environment to fuel innovation and inculcate responsibility. Non- discrimination, zero - tolerance of child or forced labour, dignity at the work place, harassment free work spaces, strict compliance with the law, and environmental responsibility, are among the values that are integrated into the company policies. The company is a signatory to the UN Global Compact that promotes ethical and responsible corporate behaviour.

#### Special Awards

Employees who go that 'extra mile' are recognised and rewarded at the monthly meetings of the Employees' Council. These awards are designed to recognise outstanding contributions and initiative on the part of employees. The company has criteria for the nomination of such employees and the business unit head forwards nominations.

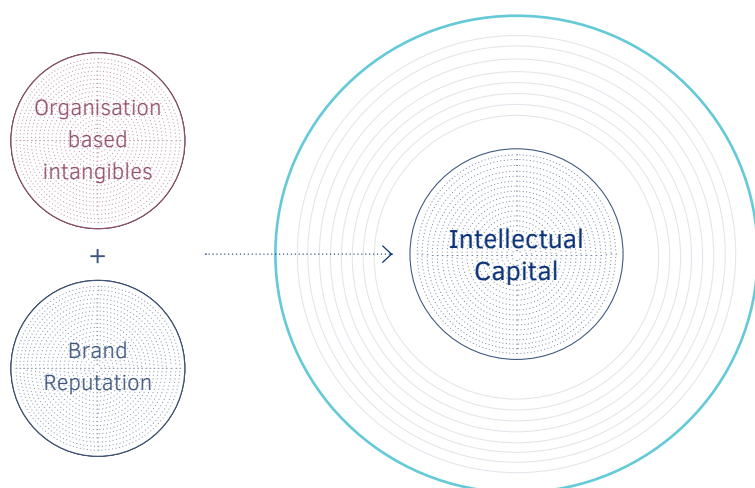
The 'Employee of the Year' award is presented at the annual DIMO Day. It has one overall winner and three others in different categories. Category awards are given to the winner and runner-up in sales, technical and support services. One of the winners in these three categories is selected as the 'Employee of the Year' who takes home a Tata Nano vehicle. The selection is done by the members of the Group Management Committee based on pre-determined criteria.

"The Idea Man" scheme encourages employees (men and women) to present innovative ideas directly to the Chairman. This is designed to promote innovation within the tribe and to recognise trailblazing ideas.

# The Capitals Report

## Intellectual Capital

### Intellectual capital



### The DIMO Values:

- ♦ **Responsible:** To be a responsible corporate citizen and to act with responsibility towards all our stakeholders and the environment.
- ♦ **Righteous:** To stand for righteousness with resolve
- ♦ **Responsive:** To be approachable and responsive to every stakeholder we serve
- ♦ **Reliable:** To be reliable and trustworthy, whatever we undertake to do
- ♦ **Respectful:** To always treat people with dignity and respect
- ♦ **Resilient:** To be resilient in adversity

### Organisation based Intangibles


#### Knowledge Base

Organisational Knowledge is a key component of intellectual capital at DIMO and each year we build and add to the massive pool of expertise and experience acquired over 75 years of business operations.

Yet knowledge gained is only as valuable as its effect and influence on the work we do. At DIMO we strive to document and share information in as many ways as possible, to exploit this most important element of our business in maximising its value.



**Success lies in  
learning from  
experiences  
of others**

Creating a Learning  
Organization 

Service Age category (year)	Male	female
1-5	954	124
6-10	209	14
11-15	60	7
16-20	65	4
21-25	49	6
26-30	10	3
31-35	18	5
More than 35	6	1

### Brand Reputation

The DIMO brand is a unique one. We constantly try to align our brand reputation with the promise of our mission statement: 'Create Value Responsibly', and our brand promise with the DIMO values. This is the brand reputation we wish to own.

### Processes, Systems and Procedures

Thoughtfully designed systems are as important to DIMO's success as its assets and employees. Over the years, the group has developed various processes, systems and procedures that have evolved to become a powerful competitive advantage. Two of the most significant of these are our quality management system and the environmental management system, having ISO accreditation: 9001:2008 and ISO 14001:2004 respectively.

We constantly subject our processes, systems and practices to scrutiny by independent parties. The awards we have received bear testimony to the exceptional levels of quality and excellence we have achieved.

## Intellectual Capital

The awards that we have received bear testimony to the exceptional levels of quality and excellence we have achieved.

### June 2014

#### Great Place to Work - 2014

Recognised by the "Great Place to Work Institute" that Dima is one of the best 20 companies in Sri Lanka to work for.

### November 2014

#### Environmental Integration - Winner

Recognised by the Ceylon Chamber of Commerce at the Best Corporate Citizen Awards as the best in initiatives relating to Environmental Integration.

#### SLITAD People Development Award 2014 – Gold Award

Recognised by the Sri Lanka Institute for Training and Development as one of the best ten companies in Sri Lanka for People Development.

#### CIMA Business Case Award 2014

Winner of the CIMA Business Case Competition.

#### Award for Excellence in Business Development

Awarded by Bosch Ltd. for excellence in Business development.

### December 14

#### Integrated Reporting - Gold Award - 2014

Awarded by the Institute of Chartered Accountants of Sri Lanka for the Best Integrated Report.

#### Annual Report 2014 – Diversified Holdings (Group companies up to five Subsidiaries) – Gold Award

Awarded by the Institute of Chartered Accountants of Sri Lanka for the Best Annual Report in the category of Group companies up to five Subsidiaries.

#### South- East Asia Aftersales Services Award

Awarded by Daimler AG for being the best distributor in aftersales service in the South-East Asia region for Mercedes Benz.

### February 2015

#### ACCA Sustainability Reporting Award 2014 – Overall Winner

Awarded by ACCA for the best Sustainability Report.

### March 2015

#### HRM Awards 2014 – Gold Award

Recognised by the Association of HR Professionals as one of the best ten companies in Sri Lanka for Human Resources practices.

#### HRM Awards 2014 – Employee Relationship and People – Winner

Recognised by the Association of HR Professionals as the best in Sri Lanka for managing Employee Relationships and People.

#### Distributor of the Year – Network Development

Recognised by Tata Motors for being the Best Distributor for Network Development.

#### Best Initiative in Customer Engagement

Recognised by Tata Motors for taking the best initiatives in Customer Engagement.



# A carefully crafted business

## Business Report



A quick snapshot of each of our business sectors, giving you an overview of our portfolio of products and services, how they performed and the value generated by each segment in the year under review.

The connectivity of supply chain activities to the business segments and the capitals is also presented

### Economic Environment

Indicator	Relevance to Dimo	Measure
<b>GDP growth rate</b>	Dimo's product portfolio includes a large offering of capital equipment. A high GDP growth rate indicates a higher demand for capital equipment.	The GDP grew by 7.4% in 2014 compared to a growth rate of 7.2% in 2013.
<b>Interest rates</b>	Interest rates are relevant to Dimo in two ways. Firstly lower borrowings cost can fuel demand for motor vehicles and capital equipment that we sell. Secondly it has a bearing on the borrowing costs.	The average weighted prime lending rate (AWPR), declined from 8.57% at the commencement of the year to 7.01% as at 31st March 2015.
<b>Inflation rate</b>	Low inflation rates lead to higher real disposable income amongst customers.	As at the end of March 2015 year-on-year and annual average inflation were recorded at 2.5 % (5.7% in 2013) and 0.1% (4.2% in 2013) respectively.
<b>Motor vehicle registrations</b>	Number of vehicles registered is an indicator of the Market size for Motor vehicles	Vehicle registrations increased by 32% to 429,556 vehicles from 326,651 vehicles the previous year.
<b>Transportation Sector Growth</b>	Growth in transportation sector has an impact on the vehicles business.	In 2014 the transportation sector grew by 7.3 % compared to 9.4% in 2013.
<b>Construction Sector Growth</b>	The growth in this sector is an indicator of the of the market potential for Construction & Material Handling related businesses	The construction sector grew by 20.2% in 2014 compared to a growth of 14.4% in the previous year.
<b>Health sector expenditure</b>	Government sector is a key customer segment of the Bio-Medical Engineering Business and the Health Sector expenditure is an indicator for its demand.	Health Sector expenditure increased from Rs.119.5 billion in 2013 to Rs.138.4 billion in 2014.
<b>Industrial Sector Growth</b>	Industrial sector is a key target segment for Dimo.	The industrial sector recorded a growth of 11.4% in 2014 compared to 9.9 % in 2013.

## A carefully crafted business

### Business Report

### Vehicles - sales

A core business sector for DIMO, offering brand new passenger, four wheel drive, commercial and special purpose vehicles as well as pre-owned passenger vehicles. DIMO is proud to partner some of the world's best known brands including Mercedes Benz, Chrysler, Jeep and Tata.



**2014/15**  
17,973,300

**2014/15**  
64%

**2014/15**  
1,347,136

**2013/14**  
13,262,241

**2013/14**  
64%

**2013/14**  
692,280

Relationship Capital  
Monetised Capital

• Customer engagement  
• Aftercare

**Segment  
Turnover**  
Rs.'000

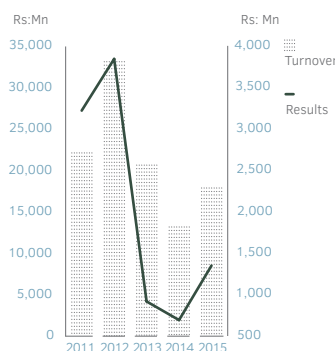
**% Contribution to  
Group Turnover**

**Segment  
Result**  
Rs.'000

**Lead Capitals**

**Key Supply  
Chain Activities**

### Segment Turnover and Segment Result



**2014/15**  
3,527,316

**2013/14**  
4,028,135

**Monetised Capital  
Directly Employed**  
Rs.'000

### Key Principals & Relationship

Daimler Ag	76 Years
Tata Motors Ltd	54 Years
Mahindra & Mahindra Ltd	25 Years
Claas Agricultural Machinery Pvt Ltd	12 Years
FCA International Operations Llc	11 Years

### Product Portfolio

Sale of brand new passenger vehicles, 4WD vehicles, commercial vehicles, special purpose vehicles, pre-owned vehicles and agri machinery

### Outlook

Downward trend in interest rates and a stable exchange rate should translate to a gradual increase in demand for commercial vehicles. Passenger cars would however remain challenged with the prevailing high tariffs

### Key Impediments

- Competition from grey imports
- High import duty

### Brand Portfolio



Scope 1 1,833  
Scope 2 435  
Scope 3 21

**Carbon Foot Print**  
tco<sub>2</sub>e



330 345  
2014/15 2013/14  
**Number of Employees**



87% 90%  
2014/15 2013/14

**Weighted Average  
Customer  
Satisfaction Index**

2,245 1,730  
2014/15 2013/14

**Number  
of Customers**

## Vehicles - aftercare services

DIMO also offers global brands in vehicle accessories and components as part of its comprehensive aftercare service package while our state-of-the-art Mercedes Benz Centre and the LEED Gold certified BOSCH Diesel Centre and Car Service Centre deliver industry expertise, state of the art diagnostic equipment and access to best-in-class automobile engineering services.



**2014/15**

3,192,899

**2014/15**

11%

**2014/15**

454,245

**2013/14**

2,067,354

**2013/14**

10%

**2013/14**

386,107

Human Capital

Intellectual Capital

- Customer engagement
- Engineering
- Aftercare

**Segment  
Turnover**

Rs.'000

**% Contribution to  
Group Turnover**

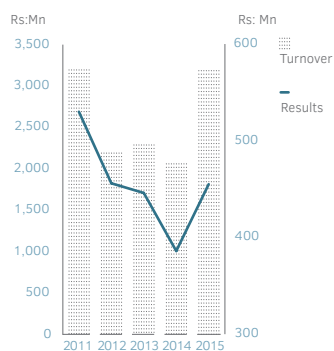
**Segment  
Result**

Rs.'000

**Lead Capitals**

**Key Supply  
Chain Activities**

### Segment Turnover and Segment Result



**2014/15**

1,578,546

**2013/14**

1,429,507

**Monetised Capital  
Directly Employed**

Rs.'000

### Key Principals & Relationship

Daimler Ag	76 Years
Tata Motors Ltd	54 Years
Mahindra & Mahindra Ltd	25 Years
Claas Agricultural Machinery Pvt Ltd	12 Years
FCA International Operations Llc	11 Years

### Product Portfolio

Providing repair & service facilities for franchise passenger, commercial vehicles and agri machinery, sale of franchise vehicle and agri machinery spare parts, accessories and components

### Outlook

We expect growth not just to continue but also to pick up momentum as our new investments come on stream. The Mercedes-Benz centre, will further provide an integrated sales, service and parts solution under one roof.

### Key Impediments

- Competition from grey imports
- Attracting skilled labour
- Substitutes

### Brand Portfolio



**CLAAS**

**Jeep**

**Mahindra**  
Rise.



Scope 1 907  
Scope 2 574  
Scope 3 20

**Carbon Foot Print**  
tco<sub>2</sub>e



535 503  
2014/15 2013/14  
**Number of Employees**



84% 85%  
2014/15 2013/14

**Weighted Average  
Customer  
Satisfaction Index**

3,010 2,595  
2014/15 2013/14

**Number  
of Customers**

## A carefully crafted business

### Business Report

## Marketing & Distribution

Offering comprehensive solutions for diverse requirements, the Marketing & Distribution sector services many industry areas including tyres, auto components, power tools and lighting products from a range of global brands. World class brands and product technology are supported by our own expertise, making us leaders in every segment we operate.



**2014/15**  
3,350,735

**2014/15**  
12%

**2014/15**  
295,923

**2013/14**  
2,650,395

**2013/14**  
13%

**2013/14**  
209,697

Human Capital  
Relationship Capital

- Sourcing
- Warehousing
- Customer Engagement
- Delivery
- Aftercare

**Segment Turnover**  
Rs.'000

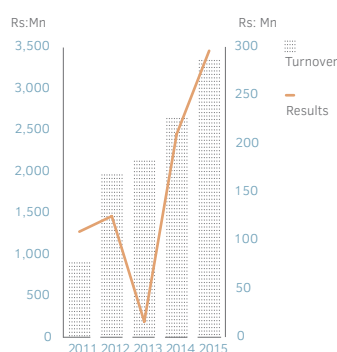
**% Contribution to Group Turnover**

**Segment Result**  
Rs.'000

**Lead Capitals**

**Key Supply Chain Activities**

### Segment Turnover and Segment Result



**2014/15**  
1,759,877

**2013/14**  
1,505,377

**Monetised Capital Directly Employed**  
Rs.'000

### Key Principals & Relationship

Robert Bosch GmbH	61 Years
Bosch Ltd	46 Years
Bosch Automotive Systems Corporation	31 Years
Michelin	22 Years
Osram GmbH	21 Years
Rane Brake Linings Ltd	21 Years
MRF	14 Years

### Product Portfolio

Sale of non-franchise vehicle spare parts, accessories, components, tyres, power tools, lamps and lighting fittings

### Key Impediments

- Increase in substitute products

### Outlook

Developments in the construction sector and the emerging trends in adopting smart technology for lighting would fuel growth in power tools and lighting products, respectively. Further streamlining of suppliers of passenger car tyres and positioning Kumho as a preferred brand would ensure growth momentum in tyre sales.

### Brand Portfolio



Scope 1 677  
Scope 2 306  
Scope 3 327

**Carbon Foot Print**  
tco<sub>2</sub>e



245 235  
2014/15 2013/14  
**Number of Employees**



91% 86%  
2014/15 2013/14

**Weighted Average Customer Satisfaction Index**

3,404 3,014  
2014/15 2013/14

**Number of Customers**



## Construction & Material Handling Services

Komatsu, Tata are some of the well known names in construction and mining equipment we partner, ensuring quality in performance and excellent value. DIMO also offers a range of after-market support services, company certified implements and original components.



**2014/15**

1,749,816

**2014/15**

6%

**2014/15**

201,221

**2013/14**

1,273,775

**2013/14**

6%

**2013/14**

174,681

Relationship Capital  
Human Capital

- Customer Engagement
- Solution Mapping
- Engineering
- Aftercare

Segment  
Turnover

Rs.'000

% Contribution to  
Group Turnover

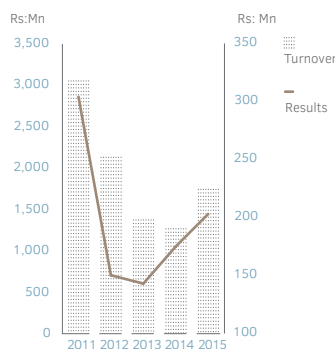
Segment  
Result

Rs.'000

Lead Capitals

Key Supply  
Chain Activities

### Segment Turnover and Segment Result



**2014/15**

1,067,082

**2013/14**

579,762

Monetised Capital  
Directly Employed

Rs.'000

### Key Principals & Relationship

DEMAG - A Terex Brand	56 Years
Komatsu Ltd	46 Years
Bomag GmbH	36 Years
Schaefer Systems International Pte.Ltd	13 Years
MHE-Demag (s) Pte. Ltd	12 Years

### Product Portfolio

Sale and service of earth moving machinery, road construction machinery, fork-lifts, racking systems, pumps and dock levellers

### Outlook

Growth potential remains high with the infrastructure development projects and plans underway and growth in the construction sector.

### Key Impediments

- Import of cheap substitutes

### Brand Portfolio



Scope 1 262  
Scope 2 92  
Scope 3 10

Carbon Foot Print  
tco<sub>2</sub>e



78 69  
2014/15 2013/14  
Number of Employees



88% 90%  
2014/15 2013/14

Weighted Average  
Customer  
Satisfaction Index

661 585  
2014/15 2013/14

Number  
of Customers

## A carefully crafted business

### Business Report

## Electro-mechanical, Bio-medical & Marine Engineering

A wide ranging business segment, which includes building automation systems, fire detection, protection and suppression systems, CCTV and access control systems, public address systems, power systems for marine propulsion and rail traction, industrial refrigeration and medical equipment.



**2014/15**

1,770,626

**2014/15**

6%

**2014/15**

152,363

**2013/14**

1,630,909

**2013/14**

8%

**2013/14**

245,859

Relationship Capital  
Human Capital

- Customer Engagement
- Solution Mapping
- Engineering
- Aftercare

**Segment  
Turnover**

Rs.'000

**% Contribution to  
Group Turnover**

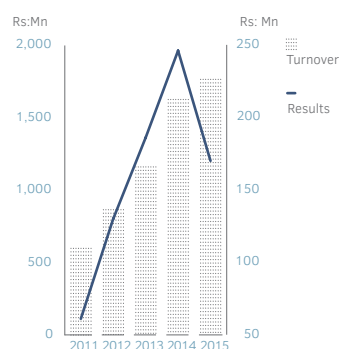
**Segment  
Result**

Rs.'000

**Lead Capitals**

**Key Supply  
Chain Activities**

### Segment Turnover and Segment Result



**2014/15**

1,359,269

**2013/14**

1,494,910

**Monetised Capital  
Directly Employed**

Rs.'000

### Key Principals & Relationship

KHD Humboldt Wedag AG	55 Years
Siemens	55 Years
KSB AG	53 Years
Johnson Controls (S)Pte.Ltd	38 Years
Carl Zeiss Meditec	30 Years
Tognum AG-Rolls	
Royce Power System AG	28 Years

### Product Portfolio

Sale and service of medical equipment, power generating sets, diesel engines for marine propulsion, rail traction, power generation and Building Management systems

### Outlook

Large scale infrastructure development projects, growth in the hotel sector and hospitals sector augur well for the prospects.

### Key Impediments

- High customer bargaining power
- Increase in cost of equipment

### Brand Portfolio



Scope 1 303  
Scope 2 96  
Scope 3 40

**Carbon Foot Print  
tco<sub>2</sub>e**



160 183  
2014/15 2013/14  
**Number of Employees**



93% 88%  
2014/15 2013/14

**Weighted Average  
Customer  
Satisfaction Index**

512 501  
2014/15 2013/14

**Number  
of Customers**

## Supply Chain Activities' Connectivity with Business Segments and Capitals



Sourcing	Evaluation of Requirements, identification of Suppliers and Ordering
Warehousing	Receiving and Storing
Customer Engagement	Marketing, Prospecting, Identification of Customer Needs
Solution Mapping	Identification of a Solution for the Customer Need
Engineering	Planning and Execution of Engineering Work
Delivering	Physical Delivery of Goods, Services or Solutions to the Customer
Aftercare	Addressing Customer Needs After Delivery
Support Services	Provision of Support Services for Supply Chain Activities

### Legend

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

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



## Impact Management

How we manage our impacts

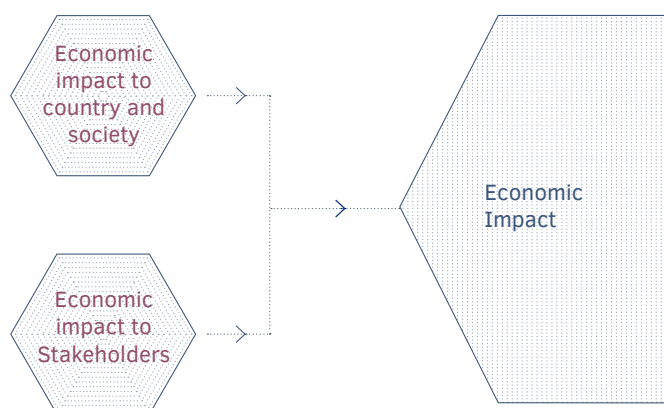


## How we manage our impacts

Our value creation process entails the prudent management of the impacts arising out of our value creation activities on the economy, society and the environment. This section talks about our management approach therein and the multiple strategies we pursue.

59	Economic Impact
61	Environmental Impact
67	Social Impact
70	Sustainability performance objectives

## Economic Impact



At the end of March 2015, the group was providing indirect employment to 739 persons. In addition, by making use of locally supplied goods and services, we enhanced our contribution to indirect employment generation. Quantifying this additional contribution to indirect employment generation remains difficult.

Our investments in social and environmental issues are discussed in more detail on pages 61 and pages 69 of this report. In 2014/15, we contributed 5 % of our pre-tax profit on initiatives pertaining to social investment and environmental protection.

### Making an Impact on the Economy

As a responsible corporate citizen participating in the process of sustainable development, DIMO makes regular contributions to the country's economy and other stakeholders in many different ways.

DIMO contributes to economic growth in several ways: it contributes to the government's revenue; it makes investments that support economic growth; and it is a source of direct and indirect employment.

In addition the company also generates value for its multiple stakeholders, including its shareholders. The 'monetised value added statement' appearing on page 60, provides

details of the monetised value created by the company and how this value has been apportioned among different stakeholders.

'Monetised value added' has been computed after deducting the following expenses:

- ♦ Rs.62 million on social investment projects
- ♦ Rs.10.5 million on environmental preservation
- ♦ Rs.4.3 billion on supplies sourced locally

Every year the Company makes a substantial contribution to state coffers. Duties and tariffs paid to the state for the last financial year was Rs.5.78 billion. The Group collected Rs.1.88 billion as value added taxes during the same period, on behalf of the government.

Our economic contribution is not limited to one province or one area of country. The table below profiles the geographical spread of our investments and the employment provided in those areas.

Description year	Colombo and Gampaha Districts		Northern /East Province		Rest of the country		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Investments in buildings, plant & equipment - Rs.million	293	828	74	178	7	227	375	1,233
Employment opportunities provided (new recruitment)	162	110	7	15	130	133	299	258
Employees as of 31st March 2015	581	587	58	67	896	865	1,535	1,519

## Impact Management

### Economic Impact

#### Economic impact on stakeholders

##### *Monetised value generated and distributed*

The following table shows how monetised value was created and distributed. The total monetised value generated increased by 25% when compared with the previous year.

#### Statement of Monetised Value Added

For the period of	Group				Company			
	2014/2015		2013/2014		2014/2015		2013/2014	
	%	Rs:'000	%	Rs:'000	%	Rs:'000	%	Rs:'000
Gross turnover		28,037,376		20,884,674		26,179,115		19,185,246
Other income		51,742		69,419		63,480		69,722
Less: Cost of material and services bought in		(18,542,213)		(14,669,059)		(17,170,341)		(13,538,519)
		9,546,905		6,285,034		9,072,254		5,716,449
Distribution of Value Added								
Employees	24.12	2,302,315	30.97	1,946,395	22.46	2,037,422	30.03	1,716,714
Government	60.63	5,788,586	51.63	3,244,962	62.37	5,657,917	54.25	3,043,731
Lenders	4.30	410,194	05.75	361,698	4.27	387,830	6.18	353,373
Community Investment -Donation	0.01	62,784	00.01	43,848	0.69	62,679	0.01	36,602
Shareholders	0.93	88,764	01.41	88,764	0.98	88,764	1.55	88,764
Retained in the business	9.37	894,262	09.54	599,366	9.23	837,642	8.35	477,265
Depreciation set aside	4.12	298,179	04.27	205,825	3.21	291,081	3.45	197,346
Profit retained	6.24	596,083	06.26	393,541	6.02	546,561	4.90	279,919
	100	9,546,905	100.00	6,285,034	100	9,072,254	100	5,716,449

Of the monetised value of 9.5 billion generated last year, 61% was paid to the government in the form of taxes and tariffs, 24% was distributed to employees in the form of remuneration and statutory payments, 06% was retained in the business for further investment and development, while only 1% was distributed among shareholders.

## Environmental Impact

Aspect	Measure	2014-15	2013-14	2012/13	2011/12	2010/11
Combating Climate Change	Carbon footprint tCO <sub>2</sub> e per Rs.1 million of Group net turnover	0.2413	0.2773	0.2218	0.1674	0.1064
Energy Consumption	Total energy consumption (1,000 GJ)	60,745	52,333	60,547	78,184	32,264
	Energy consumption (Giga joules) per employee (on average)	39	34	42	58	31
Water Consumed	Total water consumption (m3)	87,081	90,487	101,984	75,640	46,408
Water Recycled	Ground water recycled and reused as a percentage of total water consumption (%)	31.00	24.00	21.00	15.00	24.00
Waste Management	Hazardous waste (solid) sent for recycling/ reusing - Kg	111,781	125,153	132,364	65,989	37,002
	Hazardous waste (liquid) sent for recycling/ reusing - Litres	106,000	107,646	105,506	94,267	80,295

### Management Approach

Land and water are the main natural resources that DIMO uses to generate value. Since land can lay claim to a monetary value, DIMO has grouped it as a monetised capital. In our value creation model depicted on pages 24 of this report we have not classified water as a capital because its materiality is not comparable to the other forms of capital we use in our value creation process.

Yet how we relate to the environment and to natural resources is integral to our value creation process. As a corporate citizen committed to the highest levels of integrity and responsibility, we seek to ensure that our activities cause minimum harm to the physical environment. We supplement this approach by trying to regenerate and replenish the environment through DIMO supported activities and by encouraging our employees to practice an environmental ethic in the workplace and outside.

### Environmental Management

DIMO's environmental management system (EMS) provides the framework for approaching environmental sustainability. It consists of six pillars:

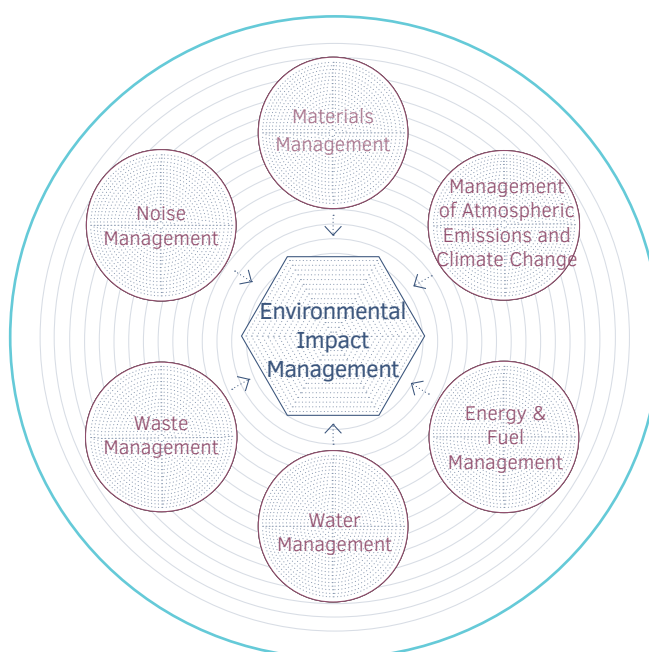
1. Managing atmospheric emissions and climate change
2. Energy and fuel management
3. Water management
4. Waste management
5. Materials management
6. Noise management

Environmental threats and best practices are identified through our stakeholder engagement keeping in mind the obligation to comply with all relevant statutory obligations. The EMS is supervised and implemented by the company's Sustainability Committee. DIMO's EMS is ISO 14001 (2004) accredited.

The company also encourages employees to carry the environmental ethic beyond the workplace and into their family and social life. The 'I Pledge' programme seeks to promote this idea.

"The environment is one thing that all of us share in common. As a tribe, if we accept responsibility for our actions towards our environment, we can make a big difference in saving it. "

Ranjith Pandithage  
Chairman / Managing Director

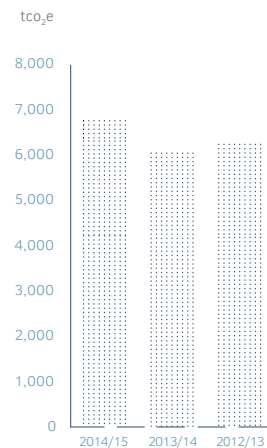


## Impact Management

### Environmental Impact



GHG Emissions



### Emissions and Climate Change

DIMO's emissions policy is aimed at ensuring that the Group's emissions do not promote climate change and are within all applicable statutory limits. DIMO is committed to reducing greenhouse gas emissions (GHG) and is working to reducing its carbon footprint progressively.

### DIMO's Carbon Footprint

Emission	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13
	Emission intensity ratio (tCO <sub>2</sub> e per Rs.1 mn. of Group net turnover)	Emission intensity ratio (tCO <sub>2</sub> e per Rs.1 mn. of Group net turnover)	Emission intensity ratio (tCO <sub>2</sub> e per Rs.1 mn. of Group net turnover)	Emission tCO <sub>2</sub> e	Emission tCO <sub>2</sub> e	Emission tCO <sub>2</sub> e
Scope 1	0.1512	0.1792	0.1518	4,243.00	4,371.63	4,204.83
Scope 2	0.0741	0.0742	0.0636	2,081.00	1,411.60	1,763.00
Scope 3	0.0159	0.0258	0.0181	447.00	273.11	281.86
Total	0.2413	0.2762	0.2335	6,771.00	6,055.85	6,249.69

Note- Fuel consumption of vehicles used for deliveries to customers is shown under Scope – 1

The 34% increase in our Group turnover resulted in our total carbon footprint increasing by 17% in the year under review.

On the other hand when compared against the Group's activity level, our GHG emissions decreased to 0.2413 tCO<sub>2</sub>e per Rs.1 million of Group net turnover, compared to the figure of 0.2762 tCO<sub>2</sub>e recorded last year. We will continue to integrate new processes that will contribute to reducing our carbon footprint over the coming years.

### Managing Atmospheric Emissions

Monitoring of atmospheric emission levels is done every quarter. Emission levels during the year were well within the limits set down by the Central Environmental Authority (CEA). The Group's activities do not result in the emission of NO<sub>2</sub> or SO<sub>2</sub>.

DIMO's exhaust gas and dust extractors capture emissions emanating from engine testing and the cleaning of air filters and brake assemblies. These fumes are extracted into a machine, and released into the environment within legally permissible limits.

Our paint booths incorporate filtration systems that prevent the release of toxic fumes and particles into the atmosphere. The Group's activities do not result in ozone depleting emissions. CFC- free gases used in vehicle and plant air conditioning has built in systems to capture and recycle gas when the units are serviced.

### Material Management

The following table provides details relating to key solid materials used in our supply chain activities

Type of Material used	type	Measurement	Quantity		
			2014/15	2013/14	2012/13
Paints	Non- Renewable	Lt	5,444	8,016	7,563
Kerosene	Non- Renewable	Lt	36,899	39,607	41,228
Lubricants	Non- Renewable	Lt	179,065	188,281	253,073
Floor Carpets (Paper)	Renewable	Nos.	30,000	35,980	59,000
Cotton Waste	Renewable	Kg	170,748	172,225	29,625
Lacquer	Non- Renewable	Lt	418	242	471
Thinner	Non- Renewable	Lt	16,867	16,156	19,050
Putty	Non- Renewable	Kg	1,075	210,768	237,333
Filler	Non- Renewable	Lt	745	1,267	1,016

### Energy Consumption

The company's main sources of energy are electricity, diesel, petrol and liquefied petroleum gas. Most of our electricity comes from the national grid and small amounts of electricity are generated through in-house generators.

The consumption of energy remained at the previous year's level, even though the activity increased due to increase in Group turnover. The increase in the electricity consumption was due largely to the operation of the new Dimo 800.



## Impact Management

### Environmental Impact

The energy consumed by third parties due to our activities was 15,475 GJ compared to 13,002 GJ in the previous year.

Description	units	Consumption			
		2014/15	Energy intensity ratio from fulltime employee	2013/14	2012/13
Diesel for Vehicles	GJ	27,543	18.04	27,210	34,703
Diesel for Generators	GJ	622	0.41	306	654
Petrol for Vehicles	GJ	20,983	13.74	16,516	15,412
LP Gas	GJ	467	0.31	344	349
Electricity	GJ	11,128	7.9	7,957	9,429
Total		60,745	39.78	52,333	60,547

### Conserving Energy through Energy Audits

Periodic external and internal energy audits are used to identify areas where waste can be reduced and efficiencies enhanced. DIMO has obtained accreditation from the Sri Lanka Sustainable Energy Authority to conduct in-house energy audits.

The energy audits carried out at DIMO has highlighted the following aspects:

- ♦ The use of capacitor banks for power factor correction
- ♦ The replacement of incandescent lighting with CFL and LED technology (almost all areas of the Group have now been converted to CFL or LED)
- ♦ The programming of all computers to revert to standby mode within five minutes
- ♦ Setting air conditioning units at a constant minimum of 24°C or over
- ♦ Inculcating a 'conservation culture' among staff: 'switch off' lights, computers, and taps when not in use.
- ♦ New buildings should make maximum use of natural light in their designs and adopt energy efficient building codes.

### Water Usage and Management

Our main source of water comes from the national water supply. Ground water sources are used at some of our locations: the Siyambalape workshop, the Weliweriya Logistic Centre and the workshop in Colombo.

State-of-the-art water recycling plants are operative at all workshops. The treated re-cycled water is then used within the Group for permissible activities.

### Water Consumption

Description	Water usage(M³)			Reused water(M³)			Reused percentage (%)		
	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13	2014/15	2013/14	2012/13
Municipal Water	61,264	49,794	56,410						
Ground water	25,692	40,581	45,647	7,910	9,692	9,875	31 %	21 %	21 %
Rain Water Harvesting	125	112	194						
Total	87,081	90,487	102,251	7,910	9,692	9,875	9 %	11 %	10%



Water consumption decreased by 5% last year. This was compared to the decrease of 11.5 % in 2013 – 14. Ground water consumption decreased by 37% (15% in 2013 – 14) due in large measure to the enhanced recycling capacity at the Siyambalape water treatment plant.

Of the ground water consumed, 31% (24% in 2013 – 14) was recycled and reused. This amounted to 9% (11% in 2013 – 14) of the total water consumption. The total volume of water reused at Siyambalape and Weliveriya was 7,910 m<sup>3</sup>. Of this, 3,272m<sup>3</sup> was used for vehicle washing purposes whilst the balance was used for other purposes.

During the year under review, a state-of-the-art water treatment plant, costing Rs.5.3 million, was installed at DIMO 800. This treatment plant has a capacity of 14,000m<sup>3</sup> per day.

All waste water from the company's operations is treated before being discharged into the sewage system. Untreated water is not released into the public sewage system. Waste water passes through oil separators and the pH level is verified, before being released. DIMO commissions an independent third party to perform random checks to ensure that the waste water released is within the legal limits stipulated by the CEA. Last year's random checks established no transgression of these limits.

## Waste Management

Waste generated by the company's activities are re-used and re-cycled wherever possible. Waste management and disposal is driven by our 'Go Green Team-3' and supported by all our business units.

## Non-Hazardous Solid Waste Management

DIMO operates a system of segregation for non-hazardous solid waste separating it depending on whether it is organic material, paper, polythene or plastic. Colour coded bins are provided in dining areas to segregate food from wrapping material and waste food is given to a third party for use as animal feed.

As local authorities are not geared to handle waste disposal in this manner, DIMO has entered into a partnership with the Central Environmental Authority and an independent third party, Holcim Geocycle, to manage the company's hazardous and non-hazardous waste.

DIMO is working towards a paperless office environment. We are looking to reduce paper usage and wastage at every opportunity. Some of our initiatives include an e-mail rider campaign discouraging printing emails, the use of recyclable paper bags at our sales outlets, maximising the use of paper, and recycling printer cartridges.

## Non-Hazardous Solid Waste Disposal

	Units	Method of Disposal			
		2014/15	2013/14	2012/13	
Organic	kg	37,401	33,307	34,417	To third party as animal feed
Paper – A4	kg	3,258	585	4,795	To third party for recycling
Cardboard boxes	kg	37,401	16,523	20,227	To third party for recycling

## CASE STUDY



## Green Buildings

In 2011 DIMO commenced a process of 'green design and construction'. 'Green Designs' that maximise the use of natural light, minimise energy consumption and explore alternative sources of energy, have been used in 2 of our locations so far. The Bosch Workshop at our headquarters was the first and the DIMO 800, opened last year, also adopted a green design. Both the Bosch centre and the DIMO 800 received Gold ratings from LEED (Leadership in Energy & Environmental Design). In designing green buildings, we look at the sustainability of the site, water efficiency, energy use, emissions, materials, indoor environmental quality and innovation.

## Impact Management

### Environmental Impact

#### Hazardous Waste Management

Chemical spillages are non-existent at DIMO. Should they occur, the company has in place a well-documented process for prompt reactive action. Staff has been trained on how to react, should this occur and oil suckers and other equipment are available to deal with spillages. Employees are regularly trained on safe practices and the proper handling of hazardous material.

#### Hazardous Waste Disposal

Type of Waste	Units	Quantity Disposed		Current Method of Disposal
		2014/15	2013/14	
Waste oil*	Litre	106,000	107,146	Handed over to authorised third party for recycling
Sludge	Kg	93,073	90,390	
Metal scrap	Kg	11,930	32,190	
Paint cans	No.	920	893	
Filters	No.	17,653	23,682	
Tyres	No.	129	248	
Polythene	Kg	3,494	5,259	
Plastic	Kg	817	1,046	

\*Waste oil includes – engine oil from serviced vehicles and kerosene oil.

#### Noise Management

Noise emissions from all of the company's facilities are strictly controlled to minimise discomfort to those in the vicinity. The company complies scrupulously with all legal requirements with regard to noise emissions. Noise levels are periodically monitored with the assistance of a competent external party.

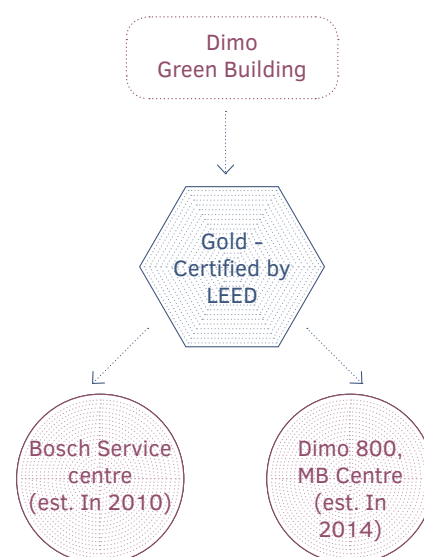
#### The Turtle Conservation Project at Panama

DIMO has supported a turtle conservation project in Panama, on the East coast of Sri Lanka since 2012. The purpose of the project is to conserve marine turtles by restoring and rehabilitating their nesting habitats. The project site is located in Komari-Panama close to the town of Pottuvil. Around 12,000 young turtles have so far been released from their nesting habitats into the sea in two phases. In February 2015, the third phase, supported by DIMO, commenced.

#### A 'TATA Xenon' for the Yala National Park

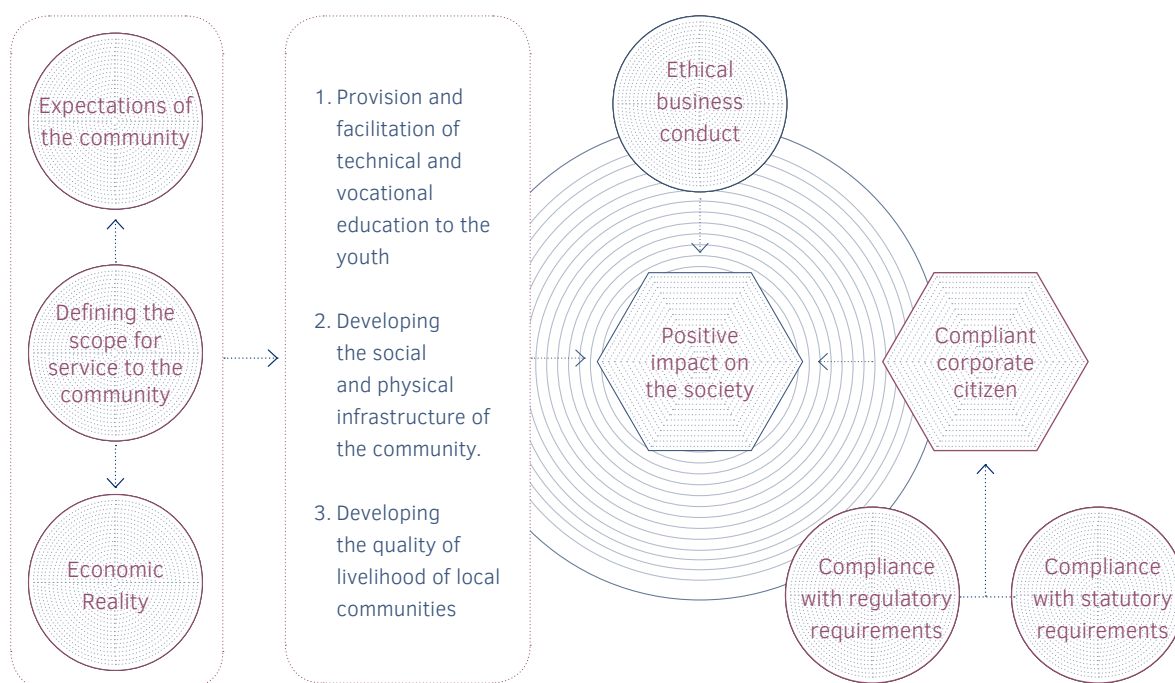
The Yala National Park is the 'most visited' national park in Sri Lanka. DIMO donated a TATA Xenon to the park authorities to strengthen law enforcement and visitor management. Uniforms and hats were also provided to security officers and drivers.

DIMO also partnered with the Environmental Foundation Limited to print 10,000 brochures which provide information on the history, flora and fauna along with a detailed map of the Park. It also contains a list of "Dos and Do nots" to safeguard the natural habitat.



## Social Impact

Key Performance Area	Metric	2014/15	2013/14	2012/13	2011/12	2010/11
Investing in community	Community investments as percentage of turnover (%)	0.22	0.21	0.19	0.14	0.10
Development of youth	No. of vocational training students given training during the year as a percentage of full-time employees (%)	24.82	16.78	10.50	14.24	14.52
Contribution to treasury	Tax paid to government (Rs.million)	5,788	3,245	2,972	6,062	5,571



### Management Approach

One of our goals at DIMO is to maximise the impact our operations have on society and to help communities grow. We maximise our impact by building value across the stakeholder spectrum and by investing in community livelihood and empowerment. Sustainable business requires us to read and understand community expectations and to adapt our business strategy to meet those expectations. We help communities grow by constantly engaging with them and feeding their views into our business plans. Sustainability also requires us to minimise any possible harm our activities have on society and we have put in place a variety of processes to constantly monitor the impact our activities have.

We ensure that our business practices are ethical and in strict compliance with all legal requirements. In some cases our practices may exceed the norms contained in law and regulation. Our brand value is linked to the way we exercise our responsibility as a leading corporate citizen. By acting responsibly and discharging our obligations as a corporate citizen we strive to enhance the DIMO brand.

### Ethical Business

DIMO's Code of Business Ethics, drafted with input from guidelines of best practise provides the overarching framework for how we do business. The Code provides guidance to all employees on how they should conduct themselves and contains detailed guidelines

on anti-corruption, anti-competitive behaviour, non-discrimination, equal opportunity, engagements with colleagues and engagements with public institutions, business partners and external stakeholders.

The company does not make contributions to political parties or seek to advocate for any particular type of political action. On the other hand DIMO engages with regulatory and non-regulatory bodies that promote ethical business conduct.

DIMO is a signatory to the United Nations' Global Compact, one of the largest voluntary corporate responsibility initiatives in the world. DIMO is part of a global community of over 12,000 stakeholders in 145 countries

## Impact Management

### Social Impact

Social acceptance within the community and continuous engagement with the community within which we operate is critical for the long term sustainability of our business. Being integrated into and being in touch with the pulse of the public that is affected by our operations ensures that community concerns are effectively addressed.

that have committed to adhere to universal principles on labour, human rights, the environment and anti-corruption. One of the goals of the UN Global Compact is to ensure that business advances societies globally which aligns very closely with DIMO's overall goal of building sustainable value.

#### Regulatory Compliance

The company has a policy of strict compliance with all applicable laws and regulations. Any breaches of laws and regulations are brought to the attention of the Audit Committee.

Close relationships are maintained with all relevant local and central government authorities. Employees are constantly updated on changes to laws and regulation and to tariff structures. All business locations adhere to environmental regulations and comply with product safety and labelling requirements.

Taxes and other duties are paid on time and last year the company contributed Rs.5.78 billion by way of taxes to the state coffers. (Rs.3.24 billion in 2013/14)

#### Facilitating Policy Formulation

In keeping with DIMO's overarching objective of operating a sustainable business and delivering the best in products, solutions and service to our customers, it is our practice to involve ourselves and build close relationships with external trade associations and to align ourselves with industry best practices. Through this engagement we are in a position to play a part in the formulation of policy and accompanying legislation.

Such policies and legislation have a direct operational impact on our business, our employees, our suppliers and our customers. Our membership and engagement in associations has helped us to participate and make representations to promote ethical business conduct, fair trade, social welfare and matters relating to social equity.

The following are some of the associations and entities that DIMO participates in:

- ♦ American Chamber of Commerce
- ♦ The Automobile Association of Ceylon
- ♦ Ceylon Chamber of Commerce
- ♦ National Chamber of Commerce
- ♦ Sri Lanka - Australia and New Zealand Business Council
- ♦ Sri Lanka - France Business Council
- ♦ Sri Lanka - German Business Council
- ♦ Sri Lanka - Italy Business Council
- ♦ Sri Lanka - Japan Business Council
- ♦ Sri Lanka - Malaysia Business Council
- ♦ Sri Lanka - Taiwan Business Council
- ♦ Sri Lanka-Maldives Bilateral Business Council
- ♦ Sri Lanka- China Business Council
- ♦ Sri Lanka- Korea Business Council
- ♦ Ceylon Motor Traders Association
- ♦ Sri Lanka Tyre Importers Association
- ♦ Engine Builders Association
- ♦ Udarata Development Authority
- ♦ Chamber of Young Lankan Entrepreneurs
- ♦ Chamber of Construction Industry Sri Lanka
- ♦ International Integrated Reporting Council (IIRC)

#### CASE STUDY



##### *The DIMO Nasevena Technical Education Centre (DTI)*

DIMO's driver training institute at Sooriyawewa was established with the long-term goal of reducing road fatalities. Poor driving skills is one of the causes of road accidents and DIMO set up this school with a view to teaching new and existing drivers, driving skills and road etiquette.

The DIMO Nasevena Technical Education Centre is located on a nine-acre plot of land in Sooriyawewa, Hambantota. The DTI employs classroom and practical training methodologies using a global curriculum. Last year the company spent Rs.14 million to operate the institute.

- ♦ The European Chamber of Commerce of Sri Lanka
- ♦ Sri Lanka Heritage Foundation

#### Engaging with the Community

Social acceptance within the community and continuous engagement with the community within which we operate is critical for the long term sustainability of our business. Being integrated into and being in touch with the pulse of the public that is affected by our operations ensures that community concerns are effectively addressed. This helps in building sustainable value.

Our community engagement mechanisms include independent stakeholder surveys that enable us to understand community expectations, especially of those communities directly affected by our operations. One



of the results of these stakeholder surveys has been the gap with regard to secondary education facilities and job opportunities. DIMO's Sustainability Committee carefully analyses the results of these stakeholder surveys and tries to ensure that we respond to community expectations.

Last year, DIMO invested LKR 62 million (LKR 43 million in 2013/14) in community development.

DIMO has focused on the following areas of community intervention:

- ♦ Provision and facilitation of technical and vocational education to youth
- ♦ Developing the social and physical infrastructure of the community
- ♦ Developing the quality of livelihoods of local communities

In addition to the students DIMO enrolls, other institutions also send their students for training. 320 apprentices underwent training at DIMO during the past year. The training periods range from three months to one year with a longer training period for NAITA apprentices.

Trainees come from the following institutions:

- ♦ NAITA (National Apprentice & Industrial Training Authority)
- ♦ Ceylon German Technical Training Institute
- ♦ University of Moratuwa
- ♦ University of Peradeniya
- ♦ University of Sri Jayawardenapura
- ♦ University of Kelaniya
- ♦ Vocational Training Authority of Sri Lanka
- ♦ Automobile Engineering Training Institute
- ♦ Ministry of Vocational & Technical Training
- ♦ The Open University of Sri Lanka
- ♦ CETRAC (Construction Equipment Training Centre)
- ♦ Asian Aviation Centre (Pvt) Ltd

## Investing in Community Infrastructure Other Initiatives

Last year DIMO donated Rs.1,000,000 to the Department of Electronics and Electrical

Engineering in the University of Peradeniya to support research within the department.

The company donated a TATA Winger Van to the value of Rs.3.3 million to the National Institute for Nephrology Dialysis and Transplantation.

A TATA Super ACE was given to the winner of the 'lantern competition' which was held at the Buddha Rashmi Vesak Zone in Colombo

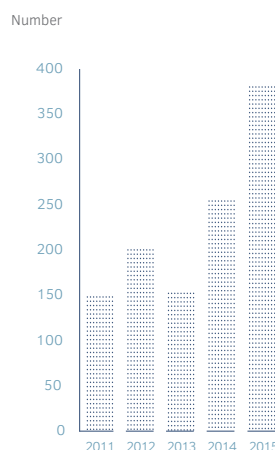
DIMO provided support for the publication of the book 'Environmental Management Accounting in Sri Lankan Enterprises'. The book provides interesting insights on how enterprises use EMA in their core business operations.

DIMO's Siyambalape Workshop donated school books and bags to approximately 200 children who live in close proximity to the Workshop. Special gifts were offered to six farming families.

Over Rs.2 million has been donated to several sites of religious worship all over the country to support the development of infrastructure within the premises.

DIMO participates regularly in career fairs. The focus of the DIMO presentation has been on 'Employer Branding' and introducing DIMO as a great place to work at and an employer of choice.

Number of youth training



## CASE STUDY



### ***DIMO Automobile Training School (DATS)***

This is DIMO's flagship project. We have two training schools, one in Siyambalape and the other in Jaffna with state-of-the-art training equipment. Both schools provide trainees with a comprehensive training on several aspects of automobile engineering. The training is provided with technical assistance from Daimler AG. The DATS – Siyambalape Workshop marked 25 years in 2014.

At the end of the two-year course, the trainees are equipped with a qualification that makes them easily employable. The training is provided free of charge and the trainees receive an allowance, subsidised meals and uniforms during the training. Once the course is complete the trainees are free to find an employer of their choice or transform into an entrepreneur using their knowledge. If there are vacancies at DIMO, we may offer them an opportunity with us.

Rs.32 million was spent on the DATS during the past year. DIMO has commissioned an evaluation of the two schools and the training programmes with a view to improving quality and prospects for the trainees. Over the past few years the company has made a special effort to integrate women in the training and to reduce the gender gap in the field of automobile engineering. Currently, there are 11 female students undergoing training.

Last year 32 participants completed the diploma and 57 are currently enrolled in the two schools.

## Sustainability Performance Objectives in 2014/15

Aspect	Term	Objective	Achievement			Remarks
			2014-15	2013/14	2012/13	
<b>Monetised Capital</b>	Long/Short	ROE to be more than Annual AWDR+3%	Not achieved	Not achieved	Not achieved	The AWDR+3% as at year end was 9.76% The ROE for the period was 6.95%. The ROE for 2013/14 was 5.06%.
<b>Customer</b>	Long	To ensure continuity of a customer-centric Quality Management system with suitable accreditation	Achieved	Achieved	Achieved	A quality management system accredited with ISO 9001:2008 is in place
	Short	Number of training hours for sales personnel to increase by 10% from previous year	Achieved	Not achieved	Achieved	The number of training hours of sales personnel increased by 88%
	Short	To achieve a Weighted Average Customer Satisfaction Index score of more than 85%	Achieved	Achieved	Achieved	Weighted Average Customer Satisfaction Index score was 90% (88% - 2013/14)
	Short	Each branch to have a customer interaction event each quarter	Achieved	Achieved	Achieved	Each branch achieved the required number of customer events
<b>Employee</b>	Short	To achieve an employee satisfaction index score of more than 60%	Achieved	Achieved	Not achieved	The employee satisfaction index score increased to 62.38% from 61.10% in 2013-14
	Short	Average training hours per employee per year to be more than 10 hours	Achieved	Achieved	Achieved	Average Training hours per employee was 15.65 hours in 2014/15. (13.10 hours - 2013/14)
	Long	To maintain the ratio of female to male employees, excluding workshops and field sales of more than 15%	Achieved	Achieved	Achieved	The ratio was 20% in 2014/15 and 2013-14
<b>Business Partner</b>	Short	To carry out a performance evaluation of twenty foreign Principals at least once a year	Partially achieved	Achieved	Achieved	The Annual Principal Performance Evaluation process made this possible
	Short	To obtain declarations from at least 50% of the current major local suppliers, that they will abide by the DIMO supplier code	Achieved	Achieved	Achieved	Declarations from 74% of the current major local suppliers have been obtained
<b>Society</b>	Short	Invest at least .05% of turnover in community development activities	Achieved	Achieved	Achieved	In 2014/15 Dimo has invested 0.22% of turnover on community development activities. In 2013/14 this was 0.20%.
	Long/Short	To provide vocational training for trainees numbering more than 5% of the number of employees		Achieved	Achieved	No. of vocational trainees registered for 2014/15 was 24.82% of the average no. of employees (16.78% - 2013/14)
	Short	100% compliance with Laws and Government regulations	Achieved	Achieved	Achieved	The Company's Code of Business Ethics require compliance with laws and regulation at all times. No breaches were reported during the year
<b>Environment</b>	Long	To re-cycle and re-use at least 20% of the ground water used	Achieved	Achieved	Achieved	We were able to achieve 31% in 2014/15 due to expansion of the water recycling capacity. The corresponding figure for 2013/14 was 21%
	Short	Waste segregated and handed over to selected third parties for recycling/reuse to be more than 90% of total solid waste	Achieved	Achieved	Achieved	In 2014/15 the Company renewed the waste collection agreements with 3rd parties approved by the Central Environmental Authority. These parties provide a total solution for waste management
	Short	Carbon footprint for every Rs.1.0 million of turnover to reduce by 5%	Achieved	Not Achieved	Not Achieved	Carbon footprint for every Rs.1 million of turnover in 2014/15 was 0.2413 tCO2e. The corresponding figure for 2013/14 was 0.2762 tCO2e.
<b>Economic</b>	Long/Short	Value Added to increase every year at a rate more than the rate of inflation +5%	Achieved	Not achieved	Not achieved	The Value Added has increased by 56% in 2014/15 over the previous year, which was well above the objective of 8.3%



## A transparent approach

Our commitment to responsible and transparent governance is reflected in the enterprise governance report, risk management report and the other statements that follow in this section.

72	Senior Independent Director's Statement
73	Enterprise Governance
82	Risk Management
87	Committee Reports
90	Responsibility Statement of Chairman/ Managing Director, Chief Executive Officer and Chief Financial Officer



## Senior Independent Director's Statement

The 'Code of Best Practice on Corporate Governance 2013' (The Code) issued jointly by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka recommends that a Senior Independent Director (SID) be appointed in the event of the Chairman of the Board being an Executive Chairman.

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

The Board formed the 'Related Party Transactions Review Committee' as a Board Committee, on 26th May 2015.

Dimo is committed to principles of good governance and always strives to live by the Best Practices of Corporate Governance. The governance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with laws, regulatory requirements and the Code of Business Ethics.

A Director is permitted to obtain independent professional advice that may be required in discharging his responsibilities, at the Company's expense.

As the SID, which role I have played since May 2009, I am consulted by the Chairman on major strategic and governance issues. As the SID, I make myself available to any Director to have any confidential discussion on the affairs of the Company, should the need arise. By virtue of being the Chairman of the Audit Committee, I also meet Independent Auditors and Internal Auditors and obtain their views on any matters of concern.



**R. Seevaratnam**  
Senior Independent Director

Colombo  
26th May 2015

# Responsible and Transparent

## Enterprise Governance

### A1. Enterprise Governance

Enterprise governance is the set of responsibilities and practices exercised by the Board with a view to providing strategic direction, achieving corporate objectives, ensuring responsible corporate behaviour, ascertaining that risks are managed appropriately and verifying that the organisation's resources are used responsibly. It constitutes the accountability framework of the organisation. There are two dimensions of enterprise governance – conformance and performance. Conformance covers aspects such as Board structures, roles and remuneration, responsible corporate behaviour and the performance

dimension focuses on strategy and value creation, including risk management.

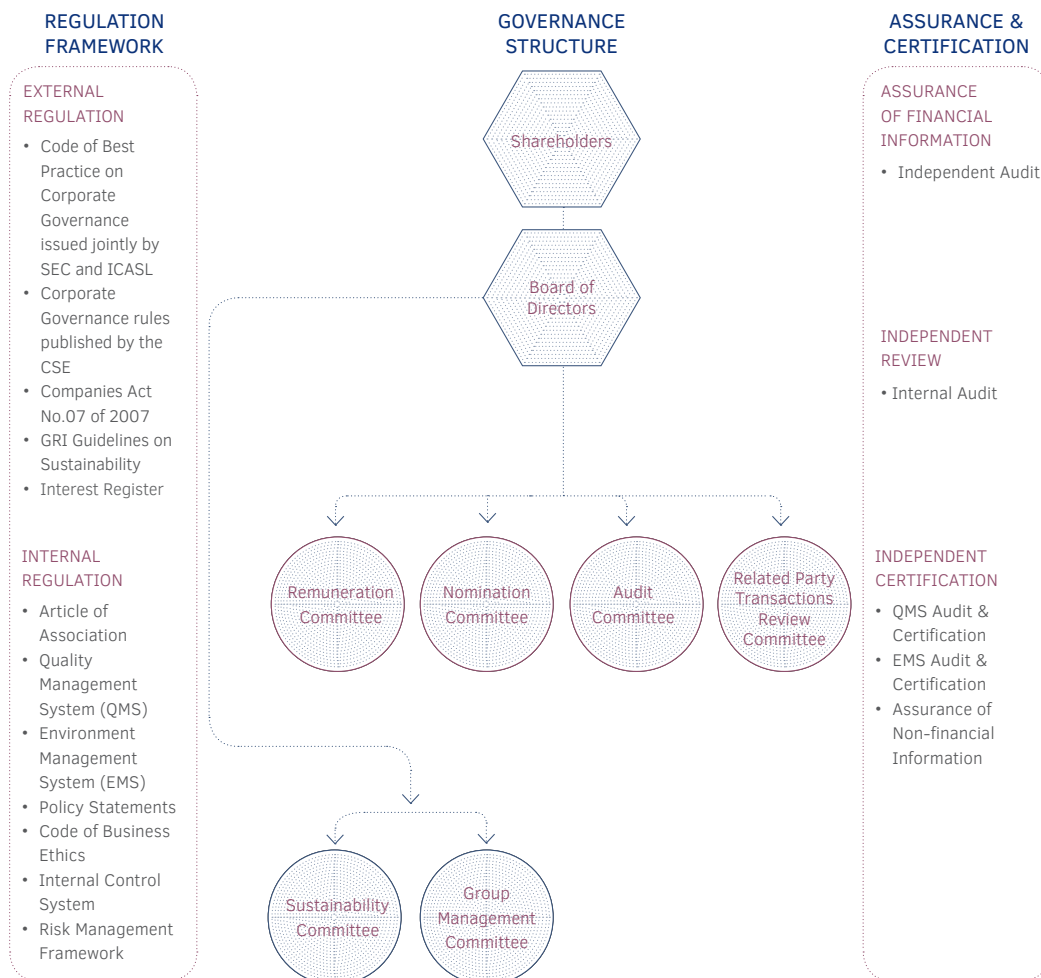
### A2. Our Approach to Value Creation

DIMO perceives effective enterprise governance as an uncompromising pursuit that provides the platform to create value in a responsible manner; not a set of rules that stifles growth.

The Board acknowledges its role of stewardship and the obligation of accountability that is placed upon it. Therefore DIMO is committed to responsible, accountable and transparent governance. Responsible corporate behaviour and transparency dictate our quest in creating value.

### A3. A framework to translate commitment into practice

The Board of Directors bears the overall responsibility for good governance, requisite transparency, stewardship and for accountability towards all stakeholders. In order to facilitate fulfilment of these responsibilities, the Board has in place a governance framework consisting of a governance structure and a process to execute its policies and monitor effectiveness. The framework include board committees and management committees facilitated by a regulation framework and an assurance and certification process.



## Enterprise Governance

### A4 Governance Culture

Enterprise governance requires a high level of commitment across the organisation and it is essential that an enabling governance culture is created. This requires creation of awareness at all levels.

All employees are expected to preserve the corporate values and respect the code of business ethics in achieving their own objectives set by the management and in achieving the objectives of the company. The sustainability of enterprise governance principles is facilitated by aligning the corporate values with value creation activities, and making a conscious effort to continually improve the governance framework and processes.

### A5. Board of Directors

The Board bears responsibility for providing strategic direction, achieving objectives, responsible corporate behaviour, risk management and utilisation of resources responsibly, as envisaged in enterprise governance. Its overriding objective is to deliver superior returns to stakeholders, demonstrating responsible corporate behaviour and acting in a transparent manner. In order to facilitate fulfilment of these obligations, the Board has in place a two-tier structure constituting three Board committees and two management committees.

The Board consisted of ten members throughout the year. Part A (directors) and Part B (directors' remuneration) of the table given from page 81 and page 114 provide more details of the Board including on how it conducts its affairs, its responsibilities, its composition and remuneration.

A brief biography of each member of the Board is available on page 21.

The statement of responsibilities of the Board of directors is available on page 98.

The attendance at meetings of each director is available on page 81.

### A6. Committees

The Board committees consist of an audit committee, a remuneration committee, a nomination committee and a related party transaction review committee. These committees serve as an effective oversight mechanism over the several activities of the company. The Group Management Committee (GMC) is a management committee appointed by the Board, entrusted with execution of the governance policies in the business affairs of the company. The GMC consists of Executive Directors and members of the senior management team.

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

More details of the Board committees are available on pages 74, 79, 151 and 156.

The attendance at meetings of each committee member is available on page 81.

Members of the GMC are featured on page 22.

### A7. Best Practices

The governance practices of the Company are based on the corporate philosophy of achieving sustainable growth through good governance. While being fully compliant with the laws and regulations relating to corporate governance, the Company recognises that best practices provide a robust framework for sustainable growth and meeting stakeholder expectations.

### A7.1 Regulation Framework

Enterprise governance is practised through a clearly identified regulation framework. The framework consists of statutes, regulations, codes, management systems and control systems as depicted in the diagram on page 73. These constituents of the regulation framework are used as points of reference as indicated in the tables presented on pages 75 to 77, and explained on page 78 under "compliance and adherence".

The extent of compliance with the Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka is presented from pages 145 to 159.

#### A8. Conformance & Performance Aspects and Point of Reference

Capital / Activity	Key Conformance Aspects	Point of Reference	Key Performance Aspects	Point of Reference
Monetised Capital	Internal Control	Audit Committee	Business Strategy Formulation	Audit Committee
	Internal Audit	Audit Committee	Operational Excellence	Group Management Committee
				Quality Management System
	Uncertainty Management	Risk Management Framework		Environmental Management System
	Assurance	Audit Committee		
		Independent Auditors		
Customers	Meeting Customer Expectations	Quality Management System	Customer satisfaction	Quality Management System
	Customer Health & Safety	Quality Management System	Customer Relationship Management	Quality Management System
	Customer Privacy	Quality Management System	Customer Complaint Handling	Quality Management System
Employees	Employee safety	Quality Management System	Employee satisfaction	HR Scorecard
	Employee Rights	UN Global Compact Principles	Training & development	HR Scorecard
		Code of Business Ethics	Retention	HR Scorecard
	Equal opportunities	UN Global Compact Principles	Employee Engagement	HR Scorecard
	Reducing gender inequality	Sustainability Objectives		
	Comply with legislation and regulations relating to employees	Code of Business Ethics		
Business Partners	Compliance with Principals' requirements of ethical practices	Quality Management System	Expectation management	Quality Management System
	Honour Agreements with Principals	Quality Management System		
Intellectual capital	Data security and integrity	Quality Management System	Quality and accuracy of information	Quality Management System
	Meet the requirements of the legislative enactments applicable to the Group	Code of Business Ethics		
	Enhance and preserve the reputation of the company by following best practices relating to good governance and sustainability	Code of Best Practice on Corporate Governance jointly issued by SEC and ICASL	Not applicable	Not Applicable
		CSE Listing Rules		
		Articles of Association		
		GRI G4 Guidelines		
Society	Anti-corruption	Code of Business Ethics	Benevolence & Philanthropy	Sustainability Committee
		UN Global Compact Principles	Social development	Sustainability Committee
Economy	Ensure that all taxes are paid correctly and on time	Legislative enactments appropriate to the Group	Economic Value Added	Sustainability Committee

## Enterprise Governance

Capital / Activity	Key Conformance Aspects	Point of Reference	Key Performance Aspects	Point of Reference
Environment	Comply with all requirements of the Environment Management System	Environmental Management System	Carbon footprint Management	Environmental Management System
	Meet Legal and Regulatory requirements regarding the Environment	Environmental Management System	Energy & Fuel Management	Environmental Management System
		UN Global Compact Principles	Water Management	Environmental Management System
		Code of Business Ethics	Waste Management	Environmental Management System
			Material Usage	Environmental Management System
			Noise & Air Emissions	Environmental Management System
			Re-cycle & Re-use	Environmental Management System
Value creation activities	Meet regulatory standards with regard to product and services	Quality Management System	Quality and safe products and services	Quality Management System
	Meet Regulatory standards and business ethics in performing supply chain activities	Code of Business Ethics		
		Quality Management System	On-time delivery	Quality Management System
	Product responsibility	Quality Management System		

### A8.1 Level of Compliance & Adherence

Point of Reference	Aspect of Regulation	Status
The Code of Best Practices on Corporate Governance jointly issued by The Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (The Code)	Best practices of Corporate Governance	All requirements of the code and the compliance level is disclosed in the table on pages 145 to 159
Listing Rules of the Colombo Stock Exchange	Listing rules to be followed by listed companies in Sri Lanka including on Corporate Governance relating to;	Complied. The Compliance level is given in the tables on pages 79 to 80
	– Non Executive Directors	
	– Independent Directors	
	– Disclosures relating to Directors	
	– Remuneration Committee	
	– Audit Committee	
Legislative enactments applicable to the Group	Legal requirements that the Group is subjected to	The Code of Business Ethics specifically requires that all employees comply with all applicable laws. Employees sign a declaration to the effect that they will follow Code of Business Ethics
Articles of Association	Requirements prescribed by the Articles of Association	Complied

Point of Reference	Aspect of Regulation	Status
Code of Business Ethics	Compliance requirements applicable to all employees	All employees sign declarations to the effect that all requirements in the Code will be complied with
Global Reporting Initiative (GRI) guidelines on Sustainability Reporting.	To report on sustainability related performance in a complete generally accepted manner as specified by GRI G4 guidelines	Complied. The GRI index is available on pages 160 to 163. The Report on the Independent Assurance obtained on Non- Financial Reporting is available from pages 164 to 166
Environment Management System (EMS)	Meet the requirements of the Group's Environmental Management System accredited by ISO 14001:2004 Standard	Complied. The Group's Environmental Management System is certified with ISO 14001:2004 with certification provided by Det Norske Veritas AS (DNV)
Quality Management System (QMS)	Meet the requirements of the Group's Quality Management System accredited by ISO 9001:2008 Standard	Complied. The Group's QMS is certified with ISO 9001: 2008, with certification provided by Det Norske Veritas AS (DNV)
UN Global Compact Ten Principles	To comply with the requirements of the declaration made on UN Global Compact Ten Principles covering Human Rights, Labour, Environment and Anti – Corruption.	Communication in progress is available on company's website at <a href="http://www.dimolanka.com/sustainability/sustainability-performance">www.dimolanka.com/sustainability/sustainability-performance</a>
HR Scorecard	Specifies the KPIs to be achieved with regard to HR related objectives including Employee Satisfaction, Training & Development, Retention and Engagement	HR scorecard is compiled every month and actual KPI's are compared with targets
Audit Committee	Among other responsibilities, to review effectiveness of Internal Control, Internal Audit and Independent Assurance	Effectiveness of internal controls is reviewed with the Internal auditors and Independent Auditors. The performance of Internal Auditors and Independent Auditors is also reviewed by the Audit Committee. Where necessary, members of the Group Management Committee are called upon to explain matters relating to internal controls
Group Management Committee	Among other responsibilities, to install and review effectiveness of internal controls and to work towards operational excellence	Effectiveness of internal controls is reviewed by the Group Management Committee from the feed – back received internally and from internal audit findings. Performance standards are set through KPIs and Objectives set for Business Units and Support Service Units and performance levels are reviewed periodically
Sustainability Committee	To carry out the Group's sustainability efforts as per its terms of reference	Initiatives are planned and progress is reviewed by the sustainability committee. Key sustainability initiatives are reported in the Annual Report
Risk Management	To manage risks that the Group is exposed to	Please refer the Risk Management Report. On pages 82 to 86

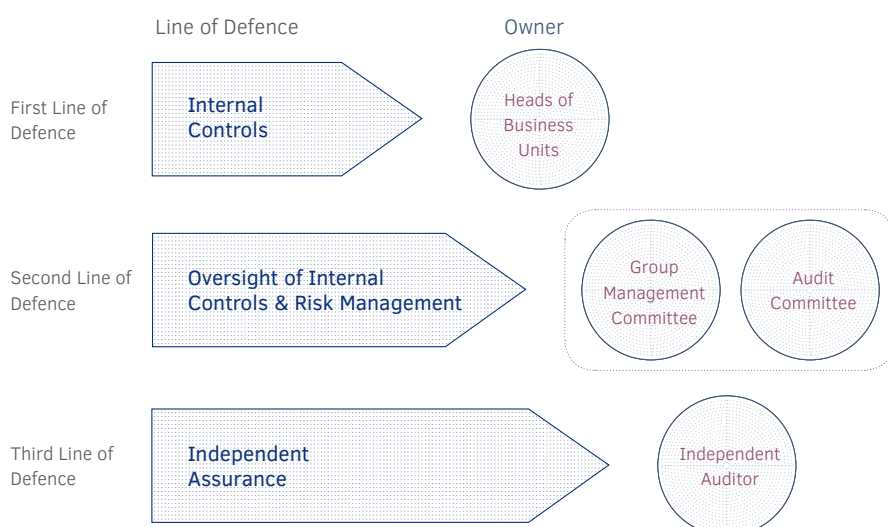
## Enterprise Governance

### A9. Assurance and Certification

Independent assurance, independent review, oversight and independent certification are key sources of assurance and comfort with regard to the integrity and the due functioning of the enterprise governance framework. These sources of assurance and comfort are depicted in the governance framework appearing on page 73. The three lines of defence approach, as illustrated in the diagram on page 78, provide evidence on the effectiveness of internal controls and risk management.

Independent assurance on financial statements is provided by an independent auditor. The independent assurance obtained as at the year-end is supplemented by an interim audit carried out during the year. The internal audit function is carried out during the year by a firm of chartered accountants assigned for the purpose by the Audit Committee. A certification on the quality management system, the environmental management system and on the non-financial information presented in this report is obtained from an independent licensed assurance provider.

### Three Lines of Defence



### A10. Compliance & Adherence

Compliance is monitored through the monitoring of the point of reference/s. In the event of the points of reference being a code of best practice, guideline, legislation or a rule, the compliance is monitored by ascertaining of compliance with the point of reference. On the other hand, where the point of reference is a body of persons such as a Board Committee, compliance is monitored through reviews or by comparing the stated expectations with the actual status. The points of reference and the level of compliance or adherence are stated on tables appearing from pages 75 to 77.

#### A11. Lines of Defence

The comfort level derived from assurance is reliant upon the internal controls that are in place. Whilst the internal controls focus on the current operations and decisions, the risk and management process focuses on the uncertainties that the Group is exposed to. The “Three Lines of Defence” model given below depicts the approach followed in ensuring effectiveness of internal controls and risk management.

### A12. Oversight of Internal Controls

The Board has delegated the oversight function of the internal controls to the Audit Committee. Implementation of suitable internal controls rests with the Group Management Committee (GMC). The internal audit function is carried out by Messrs SJMS Associates – Chartered Accountants (internal auditors). The internal audit findings include areas requiring improvements in internal controls and instances of any non-compliance. In addition, independent auditors also present their findings with regard to possible improvements to the internal controls and instances of non-compliance that they come across during their engagement. The internal auditors and independent auditors present their findings to the Audit Committee.

### A13. Risk Management

The risk management report presented from pages 82 to 86 outlines the risk management structure and processes.

### A14. Disclosures

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



**A15. Disclosures required by the Companies Act No.7 of 2007**

Companies Act 07 of 2007 Requirement

Section Reference	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	106
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	100-140
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	99
168 (1) (d)	Accounting Policies and any changes therein	106-140
168 (1) e	Particulars of the entries made in the Interests Register during the accounting period	93-95
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	114
168 (1) (g)	Corporate Donations made by the Company and its during the accounting period	114
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	7
168 (1) (i)	Amounts Paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	114
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	93-95
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board	93-95

**A16. Disclosures Required by the Listing Rules of the Colombo Stock Exchange**

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

Rule No.	Subject	Applicable requirement	Compliance status	Details
7.10.1.(a)	Non-Executive Directors	At least two or one third of the Directors, whichever is higher, should be Non- executive Directors	Compliant	Four out of ten Directors are Non-Executive Directors
7.10.2.(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent.	Compliant	Three of the four Non-Executive Directors are independent
7.10.2.(b)	Independence of Directors	Each Non-Executive Director should submit a declaration of independence/non-independence	Compliant	The Non-Executive Directors have submitted the declaration in the prescribed format
7.10.3.(a)	Disclosures relating to Directors	The names of Independent Directors should be disclosed in the Annual report	Compliant	Please refer page 21
7.10.3.(b)	Independence of Directors	The Board shall make a determination annually as to the Independence or Non-independence of each Non-Executive Director	Compliant	The Board has determined that the Independent Directors identified on page 21 meet the criteria of an Independent Director
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	Please refer page 21
7.10.3.(d)	Appointment of new Directors	Provide a brief resume of any new Director appointed to the Board	Not Applicable	Not Applicable
7.10.5	Remuneration committee	A listed company shall have a Remuneration Committee	Compliant	Names of the members of the Remuneration Committee are available on page 81

## Enterprise Governance

Rule No.	Subject	Applicable requirement	Compliance status	Details
7.10.5.(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be independent	Compliant	The Remuneration Committee consists of four Non-Executive Directors of which three are independent. The Chairman of the Remuneration Committee is an Independent Non-Executive Director
7.10.5.(b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Please refer the Remuneration Committee Report on page 88
7.10.5.(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out; a) Names of Directors comprising the Remuneration Committee	Compliant	Please refer page 81
		b) Statement of Remuneration policy	Compliant	Please refer the Remuneration Committee Report on page 88
		c) Aggregate remuneration paid to Executive & Non-Executive Directors	Compliant	Please refer page 114
7.10.6	Audit committee	A listed company shall have an Audit Committee.	Compliant	Names of the members of the Audit Committee are available on page 94
7.10.6.(a)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom are independent	Compliant	The Audit Committee consists of four Non-Executive Directors of which whom three are independent. Chairman of Audit Committee is a Non-Executive independent Director
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	The Chairman of the Audit Committee is a member of The Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants of England & Wales
7.10.6.(b)	Function of Audit Committee	Should be as outlined in the Section 7.10 of the Listing Rules	Compliant	The terms of reference of the Audit Committee adopted by the Board on 20th June 2007 cover the areas outlined.
7.10.6.(c)	Disclosure in the Annual Report relating to the Audit Committee	a). Names of Directors comprising the Audit Committee	Compliant	Please refer page 81
		b). The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer the Audit Committee report on page 87
		c). The Annual report shall contain a Report of the Audit Committee in the prescribed manner	Compliant	Please refer the Audit Committee report on page 87

#### A17. Disclosures specified by section 7.6 of the Listing Rules of the Colombo Stock Exchange

1. Disclosures specified by Section 7.6 of Listing Rules of the Colombo Stock Exchange are contained in this Annual Report.
2. There is no evidence of the book value being substantially different from the market value of land and other fixed assets of the Company or its subsidiaries.

#### A.18 Composition of the Board and Board Committees and attendance at Meetings for 2014/2015

Board Member	Date of Appointment to the Board		Committee Members									
	First	Re-election	Board		Audit Committee		Nomination Committee		Remuneration Committee		Related Part Transactions Review Committee	
			Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance	Position	Attendance
A.R. Pandithage	June 1977	Not Applicable	Chairman/ Managing Director	6/6	N/A	-	Member	-	N/A	-	N/A	
R. Seevaratnam	January 2007	June 2014	Senior Independent Director	6/6	Chairman	5/5	Member	1/1	Member	2/2	Chairman	The Committee was constituted after 31 March 2015
Dr. H. Cabral	October 2006	June 2014	Independent Director	5/6	Member	4/5	Chairman	1/1	Member	1/2	Member	
Prof. U. Liyanage	October 2006	June 2012	Independent Director	3/6	Member	2/5	Member	1/1	Chairman	0/2	Member	
A.M. Pandithage	September 1982	June 2012	Non-Executive Director	6/6	Member	5/5	Member	1/1	Member	2/2	Member	
A.N. Algama	November 1984	June 2014	Executive Director	6/6	N/A	-	N/A	-	N/A	-	N/A	
S.C. Algama	November 1984	June 2014	Executive Director	6/6	N/A	-	N/A	-	N/A	-	N/A	
A.G. Pandithage	December 1995	June 2013	CEO / Director	6/6	N/A	-	N/A	-	N/A	-	N/A	
B.C.S.A.P. Gooneratne	April 2006	June 2011	Executive Director	6/6	N/A	-	N/A	-	N/A	-	N/A	
R.C. Weerawardane	June 2002	June 2013	Executive Director	6/6	N/A	-	N/A	-	N/A	-	N/A	

\* N/A – Denotes Not Applicable

#### A.18.1 Composition of Executive Directors and Non-Executive Directors at the Board Meetings held during the year

Board Meeting Date	Gap between meetings (days)	Attendance		
		Executive Directors	Non-Executive Directors Independent	Non-Independent
23/05/2014	109	6	2	1
11/08/2014	80	6	3	1
23/10/2014	73	6	2	1
29/11/2014	37	6	3	1
12/02/2015	75	6	2	1
05/03/2015	21	6	2	1

## Risk Management

The challenge for the Board and the Management is to determine acceptable limits in treading uncertainty and to strike a balance between risk and opportunity to optimise value creation, in the context of the Group's risk appetite.

### Overview

Taking risks is an integral part of entrepreneurship. Uncertainty provides both risk and opportunity with a potential to erode or enhance value. The challenge for the Board and the Management is to determine acceptable limits in treading uncertainty and to strike a balance between risk and opportunity to optimise value creation, in the context of the Group's risk appetite. A well-structured risk management process encourages management to take risks in a controlled manner resulting in benefits to the Group. The Group remains committed to maximising value creation by developing

and growing our business within the Board-determined risk appetite.

The constantly evolving environment and the interactions with our stakeholders present the company with risks and opportunities. In addition, the Group has to manage risks that arise from its operations. Thus, a need arises to identify and systematically manage risks. A systematic approach to risk management requires processes that identifies risks on time and evaluates them in terms of risk appetite, supported by an effective management and monitoring mechanism.

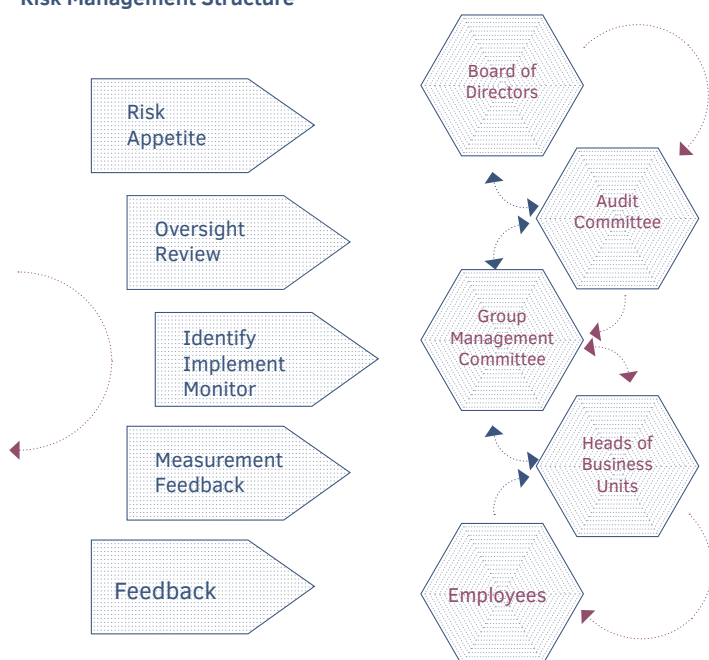
### Risk Management Structure

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

The Group Management Committee (GMC) is tasked with implementing the risk management processes. The GMC examines processes and events that expose the Group to situations that seriously reduce earnings and impair its liquidity or create legal, regulatory or reputational risks. The GMC also evaluates options available to mitigate risks and to identify risks that do not fall within the risk appetite of the Group. Monitoring of risk management measures is a responsibility that rests with the GMC.

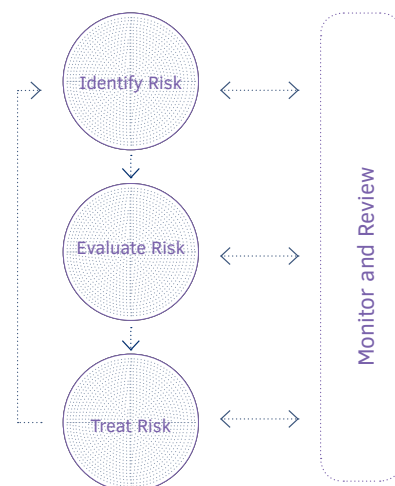
Heads of business units, with inputs from the employees, provide useful information and feed-back to the GMC on risks relating to operations.

### Risk Management Structure



### Risk Management Process

The risk management process identifies risks, evaluates them by mapping the risks and assessing the potential impact and identifies mitigating action.



## Risk Evaluation

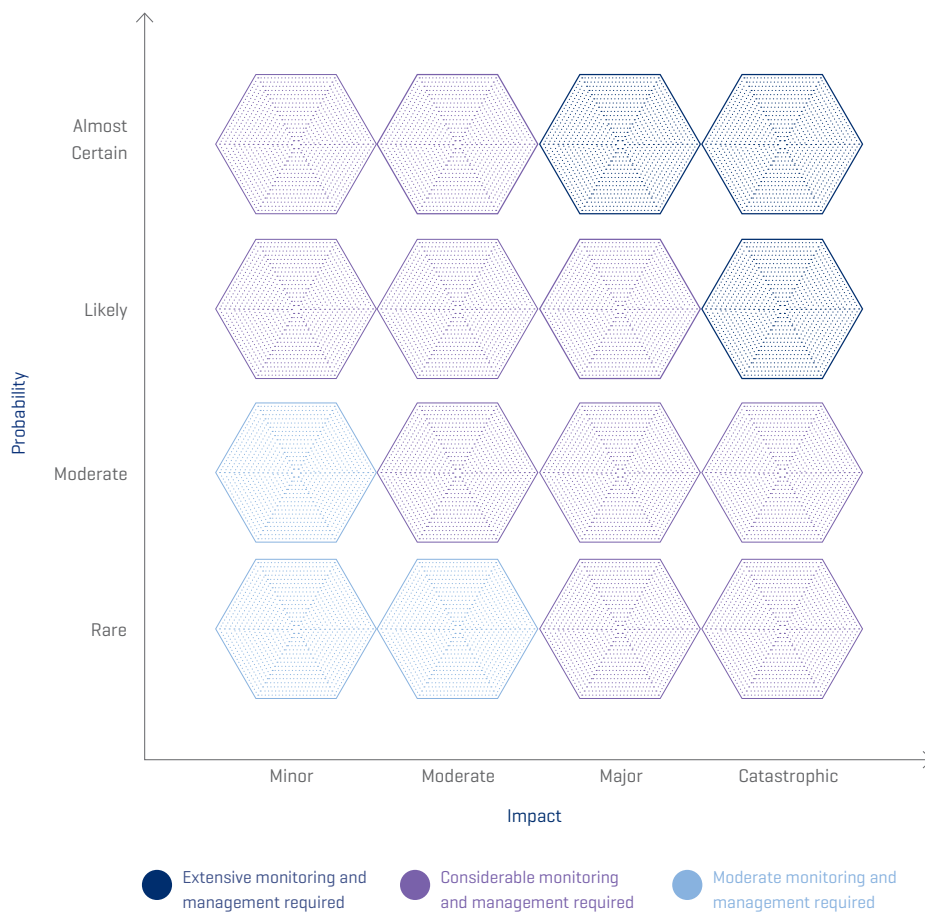
Mapping the risks based on their likelihood of occurrence and the potential impact if they occur, is a key part of risk evaluation. Impacts are quantified or assessed in terms of potential loss or damage. The extent to which risk mitigation actions are required is assessed based upon the outcome of the risk mapping exercise. Risks and their corresponding mitigating action plans are reviewed by the GMC.

- ♦ Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. A ranking of high, medium and low in terms of the probability of occurrence is assigned for each risk.
- ♦ The impact of the event is assessed by determining the loss it would cause and the extent of the impact. By considering these two factors the impact is then categorised as minor, moderate and significant.

## Risk Mapping and Assessment

Risk mapping is carried out in order to assess the likelihood of occurrence and consequence of an event or set of events. It is based on the following.

Given below is the risk map plotted as at the end of the financial period.




























## Risk Management

### Risk Mitigation

The table given below shows the risks identified together with the risk mitigation actions that were in place during the year. It also shows the assessment of its risk profile as at the end of the financial period.

	Category/ Segment affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				14/15	13/14	12/13	11/12	10/11
01	Monetised Capital	Increase in interest rates impacting on the Group's cost of funding	<ul style="list-style-type: none"> <li>Ensuring a proper mix of short and long term borrowings</li> <li>Maintain an appropriate combination of fixed and floating rate borrowings</li> </ul>					
02	Monetised Capital	Unavailability of sufficient funds impacting smooth functioning of the day-to-day operations of the Group	<ul style="list-style-type: none"> <li>The finance and treasury functions ensure that banking facilities are in place to cover its forecasted cash needs for at least a period of twelve months</li> <li>The Group maintains a desired mixture of cash and cash equivalents</li> </ul>					
03	Monetised Capital	Damages resulting from natural disasters such as fire and floods	<ul style="list-style-type: none"> <li>Preventive measures of safety are taken to minimise damage to people and property in the case of fire or floods</li> <li>The Group has a disaster recovery plan in place</li> <li>Indemnity from insurance policies</li> </ul>					
04	Customers	Loss of customers and resulting impact on business due to dissatisfied customers	<ul style="list-style-type: none"> <li>Availability of a Quality Management System.</li> <li>Dedicated unit for Customer Relationship Management</li> <li>Continuous training of employees on customer care and aftercare</li> <li>Inclusion of customer care and customer satisfaction index in employees' and business unit objectives</li> <li>A detailed narrative on delivering value to customers is available from pages 37 to 41</li> </ul>					
05	Employees	Adverse impacts arising from failure to recruit/retain skilled employees	<ul style="list-style-type: none"> <li>Due importance is given to the human resources management function of the Group</li> <li>Top management involvement in talent management led by the Human Resources Department</li> <li>Adoption of Best Practices in human resources management</li> <li>Conducting employee satisfaction surveys</li> <li>Investment in training and development</li> <li>Policy of competitive remuneration</li> <li>More employee-related information is available from pages 44 to 48</li> </ul>					
06	Employees	Losses from low productivity and low employee engagement as a result of industrial disputes	<ul style="list-style-type: none"> <li>An 'Open door policy' is in place to discuss grievances with superiors</li> <li>An employee council meets every month to provide for employee representation</li> <li>HR clinics are held at business locations where representatives from HR Department visit locations to listen to employee grievances</li> </ul>					



	Category/ Segment affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				14/15	13/14	12/13	11/12	10/11
07	Business Partners	Performance being adversely impacted as a result of disruptions to relationships with principals	<ul style="list-style-type: none"> <li>The Group has focused on developing a mutually beneficial relationship with principals in an effort to minimise the risk</li> <li>Independent survey on expectations of principals</li> <li>Emphasis on meeting expectations of principals</li> <li>Periodic evaluation of Principals' satisfaction levels</li> <li>A detailed account of our relationships with principals is given from pages 42 to 43</li> </ul>					
08	Intellectual Capital	Loss of confidential data through security breaches / system down in the IT systems	<ul style="list-style-type: none"> <li>Extensive controls and reviews to maintain efficiency of IT infrastructure and data</li> <li>Regular back up of data &amp; off-site storage of data backup system</li> <li>Disaster recovery plan</li> </ul>					
09	Society	Potential exposure of the Group to financial losses, litigation and unacceptable corporate behaviour	<ul style="list-style-type: none"> <li>The Code of Business Ethics of the Group requires that all employees comply with laws and regulations</li> <li>A written undertaking is obtained from every employee, that the Code of Business Ethics will be followed by him/her. The Code requires that all employees comply with all laws applicable to the Group</li> <li>Internal and independent assurance provides comfort on compliance with laws and regulations</li> </ul>					
10	Society	Loss of social licence to operate Damage to the reputation and loss of stakeholders' interest as a result of social rejection Loss of reputation arising from corporate behaviour against the interests of the society	<ul style="list-style-type: none"> <li>Engagement in various community related activities, including community development</li> <li>Philanthropy</li> <li>Developing the social and physical infrastructure of the community</li> <li>Upholding of the principles of the Global Compact relating to social development</li> <li>More details on interactions with the community are available on pages 67 to 69</li> </ul>					
11	All stakeholders	Loss of confidence/ business opportunities/ depletion of the Group image due to the Group not being perceived as a responsible citizen	<ul style="list-style-type: none"> <li>Environmental sustainability is a part of the decision making process in day to day operations and strategy formulation</li> <li>Existence of a sustainability committee to manage environmental sustainability related issues</li> <li>The Group's Environmental Management System is accredited with ISO 14001:2004</li> <li>The Group follows GRI Guidelines on sustainability reporting. The GRI index is available at <a href="http://www.dimolanka.com/sustainability/sustainability-performance">www.dimolanka.com/sustainability/sustainability-performance</a></li> </ul>					

## Risk Management

	Category/ Segment affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				14/15	13/14	12/13	11/12	10/11
12	Vehicle Sales Segment	The vulnerability of the vehicles market to negative changes in interest rates and fiscal policy would adversely impact on Group's performance	<ul style="list-style-type: none"> <li>Reduce the dependency on vehicle segment, by gradually strengthening the other business segments such as Marketing &amp; Distribution, Construction &amp; Material handling Equipment and Electro Mechanical, Bio Medical Engineering and Marine Solutions</li> </ul>					
13	Medical and Power Engineering Businesses	This business segment caters to a limited customer base, and therefore the bargaining power of customers is high. This may impact profit margins	<ul style="list-style-type: none"> <li>Diversifying into different markets and product /services</li> <li>Strengthening the service levels and product offering in this sector</li> <li>Enhance value addition by Dimo through wider participation in the supply chain</li> </ul>					
14	Construction & Material Handling Equipment Businesses	Intense competition from cheaper substitute products	<ul style="list-style-type: none"> <li>Enhancing the customer awareness on product's high quality and durability and after sales services</li> <li>Offer a "value for money" proposition</li> </ul>					
15	All Business Segments	Failure to secure delivery of products on time	<ul style="list-style-type: none"> <li>Maintaining a sound working capital management strategy,</li> <li>Relationship management with principals</li> </ul>					
16	All business segments	Technological obsolescence will lead to the inability to compete in the market	<ul style="list-style-type: none"> <li>The Group makes regular investments in new technology to provide after sales services and in IT infrastructure</li> <li>Staff are constantly exposed to new technology and trained to handle them</li> <li>The Group is backed by world renowned brands, some of whom are technology leaders. Therefore, technology is leveraged to compete with others</li> </ul>					
17	All Segments	Possibility of incurring losses on receivables due to adverse economic conditions/poor credit management	<ul style="list-style-type: none"> <li>Strict adherence to Group Credit Policy that includes evaluation of a customer prior to granting credit and credit administration.</li> <li>Periodic review of receivables by the Group Management Committee</li> </ul>					
18	All Segments	Negative changes in exchange rates causing potential losses on assets & liabilities and transactions denominated in foreign currency	<ul style="list-style-type: none"> <li>Hedging through forward foreign exchange contracts, where desirable</li> <li>Hedging through foreign currency bank account balances and trade receivables</li> </ul>					
19	All Segments	Losses resulting from slow moving inventory items becoming obsolete	<ul style="list-style-type: none"> <li>Leverage information technology to manage inventory and ordering</li> </ul>					

# Report of the Audit Committee

The Audit Committee is formally constituted as a Sub-committee of the Main Board, to which it is accountable and consists of four Non-Executive Directors, of whom three members are Independent Non-Executive Directors. The composition of the Audit Committee is given in page 81.

The Audit Committee has written terms of reference, dealing clearly with its authority and duties and is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the Financial Statements, risk management, business ethics, internal control, compliance with legal and regulatory requirements, review of external Auditors' performance and independence and internal audit.

## Compliance with Financial Reporting

The Audit Committee considered the quarterly and annual Financial Statements and reviewed the Annual Report including the Financial Statements prior to publication.

The review included:

- ♦ Appropriateness and changes in Accounting Policies.
- ♦ Significant estimates and judgment made by the management.
- ♦ Compliance with relevant Accounting Standards and applicable regulatory requirements.
- ♦ Adequacy of impairment provision against assets.
- ♦ Issues arising from the Internal and External audit.
- ♦ The Company's ability to continue as a going concern.

## Compliance with Laws and Regulations

The Audit Committee reviewed the reports submitted by the management and Internal Auditors on the state of compliance with applicable laws and regulations and settlement of statutory payments and are satisfied that laws and regulations are duly complied with.

## Internal Controls

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

## Internal Auditors

The Internal Audit function is outsourced to Messrs SJMS Associates, a firm of Chartered Accountants. Internal auditors directly submitted their findings to Audit Committee quarterly and their reports are made available to External Auditors.

The Audit Committee monitors and reviews:

- ♦ The coverage of the audit plan
- ♦ The follow-up action taken on the recommendation of the Internal Auditors.
- ♦ The internal audit programmes and results of the internal audit process.
- ♦ Effectiveness of the internal audit function.

## Risk Management

The Audit Committee meets the Internal Auditors on a quarterly basis and reviews their findings in order to identify risks attached to different areas of operation and effectiveness of internal controls.

The key risks associated with the business are given in the Risk Management Report in pages 82 to 86.

## Independent Auditors

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

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

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

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

## Meetings of Audit Committee

Five Audit Committee meetings were held during the year ended 31st March 2015. The attendance details are given in page 81. The Internal Auditors attend the meetings quarterly.

## Committee Evaluation

The annual evaluation of the committee was carried out by the Board during the year and it was concluded that its performance was satisfactory.

## Conclusion

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of the Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that the Group assets are properly accounted for and adequately safeguarded.



**R. Seevaratnam**  
Chairman – Audit Committee

Colombo  
26th May 2015

## Report of the Remuneration Committee

The Remuneration Committee is a sub-committee of the Board. The members of the Committee consist of three Independent Directors and a Non-Executive Director. The Chairman of the Committee, who is an Independent Director, and the members of the Committee were appointed by the Board. The composition of the Remuneration Committee is given in page 81.

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

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

The decisions on matters 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 determining his own remuneration.

The remuneration policy is designed to reward, motivate and retain the Company's executive team, with market competitive remuneration and benefits, to support the continued success of the business and creation of shareholder value.

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

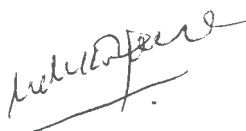
All Non-Executive Directors receive a fee for serving on the Board and serving on sub-committees. They do not receive any performance related incentive payments.

The Company does not have an Employee Share Ownership plan for Directors and Key Management Personnel (KMPs).

The Directors' emoluments are disclosed in Note 4.5 on page 114.

The Committee meets as and when a need arises. The Remuneration Committee meetings and members attendance is given in page 81.

The annual evaluation of the Committee was carried out by the Board during the year and it was concluded that the Committee continues to operate effectively.



**Prof. U. Liyanage**  
Chairman - Remuneration Committee

Colombo  
26th May 2015

# Report of the Nomination Committee

## Introduction

The Nomination Committee assists the Board by keeping the composition of the Board under review and conducting a rigorous and transparent process when making or renewing appointments of Directors to the Board. It also advises the Board on issues of directors' conflicts of interest and independence. The Chairman and the members of the Nomination Committee are appointed by the Board of Directors to enhance the process for nominating members to the Board of Directors.

## Committee Composition and its Key Activities

The members of the Committee consist of three Independent Directors, a Non-Executive Director and the Chairman/Managing Director. The Chairman of the Committee, who is an Independent Director, and the members of the Committee were appointed by the Board. The composition of the Nomination Committee is available in page 81.

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

The Committee met on one occasion in during the financial year 2014/15 and the members' attendance record is set out in the Enterprises Governance report on page 81.

The key activities carried out by the Committee during the year are as follows:

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

- ♦ Evaluate performance of Executive Directors.

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

## Committee Evaluation

The annual evaluation of the Committee was conducted by the Board during the year and review concluded that the Committee continues to operate effectively.



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

Colombo  
26th May 2015

## Responsibility Statement of Chairman/ Managing Director and Chief Executive Officer and Chief Financial Officer

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

- ♦ Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (SLFRS/LKAS),
- ♦ Companies Act No. 07 of 2007,
- ♦ Listing Rules of the Colombo Stock Exchange, and
- ♦ Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Accounting Policies used in the preparation of the consolidated financial statements are appropriate and are consistently applied, except unless otherwise stated in the notes accompanying the Financial Statements. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Significant Accounting Policies and estimates that involved a high degree of judgment 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 proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Internal Auditors 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, the Independent Auditors.

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



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



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



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

Colombo  
26th May 2015





## An attractive set of results

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

92	Financial Calendar
93	Annual Report of the Board of Directors
97	Board of Directors' Statement on Internal Controls
98	Statement of Directors responsibilities for Financial Statements
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100	Financial Statements - Section 1
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107	Basis of preparation - Section 3
110	Specific accounting policies and notes - Section 4

## Financial Calendar

### Interim Financial Statements

Three months ended 30th June 2014 – 11th August 2014

Six months ended 30th September 2014 – 13th November 2014

Nine months ended 31st December 2014 – 12th February 2015

Twelve months ended 31st March 2015 – 26th May 2015

### Dividends

Final dividend for 2014/2015 – 16th June 2015

Annual Report – Financial year ended 31st March 2015 – 5th June 2015

70th Annual General Meeting – 29th June 2015

# Annual Report of the Board of Directors

The Directors have pleasure in presenting the Annual Report for the year ended 31st March 2015 that includes and covers the audited Financial Statements, Chairman's Statement, CEO's review, Enterprise Governance and Risk Management report, the Capitals, Impact Management, Committee reports, Statements of Responsibility and other relevant information. Disclosures required by the Companies Act No. 07 of 2007' appearing on page 79 form part of this Annual Report of the Board of Directors.

## Group Structure and Nature of Operations

The Group structure and names of the Directors of subsidiaries are available in page 7.

A brief description of nature of the principal business activities of the Group and the Company is given in Note 2.3 to the financial statements on page 106. There was no significant change in the nature of business of the Company or its subsidiaries during the year that may have a significant impact on the state of the Company's affairs.

## Vision, Mission and Corporate Conduct

The Company's vision and mission are available on page 6. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving the vision and mission. All employees are given a copy of code of business ethics of the Company and employees are required to adhere to it.

## Review of Business Performance

Review of business performance and future outlook of the Group is available in the Chairman's Letter (pages 12 to 15), Chief Executive Officer's Review (pages 16 to 19) and the section titled "Business Report" (pages 51 to 57).

## Financial Statements

The Financial Statements of the Group and the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs/LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka and comply with requirements

of the Companies Act No. 07 of 2007. The aforementioned Financial Statements for the year ended 31st March 2015 duly signed by the Chief financial officer (a member of the Board) and one other Director, are given on pages 100 to 140 which form an integral part of the Annual Report.

## Financial Results and appropriations Turnover

The total gross turnover generated by the five business segments of the Group was Rs.28,037 million (2013/14 Rs.20,884 million) while the turnover of the Company was Rs.26,179 million (2013/14 Rs. 19,185 million). A segment wise analysis is given in Note 4.2 appearing on page 111.

## Profit and appropriations

The profit after tax of the Group was Rs.596.0 million (2013/14 Rs.393.5 million) while it was Rs.546.5 million (Rs.279.9 million) for the Company.

The Group's total other comprehensive income for the year was Rs.1,409.2 million (2013/14 Rs.375.0 million) and the corresponding figure for the Company was Rs.1,361.4 million (2013/14 Rs.262.8 million)

## The Board of Directors

As at 31st March 2015, the Board of Directors of the Company consisted of ten members. The information on Directors of the Company is available in the Directors' Profile in pages 21.

Names of the Directors of subsidiary Companies are given in page 7.

## New Appointments and Resignations to the Board

There were no new appointments made to the Board, during the financial year ended 31st March 2015. There were no resignations from the Board during the year.

## Retirement and Re-election of Directors

Mr. A.M. Pandithage, Prof. U.P. Liyanage and Mr. B.C.S.A.P. Gooneratne retire by rotation and are eligible for re-election.

The agenda for the ANNUAL GENERAL Meeting includes an ordinary resolution to be taken up to appoint Mr. R. Seevaratnam as a Director, who has reached the age of 70.

## Review of Performance of the Board and Board Committees

The performance of the Board was reviewed during the year by circulating a questionnaire among Directors.

The review of performance of Board Committees were carried out during the year by way of a discussion during the Board Meetings.

## Board and Board Committee Meetings

The number of Board meetings, Audit Committee meetings, Nomination Committee meetings and Remuneration Committee meetings held during the year and the attendance of Directors at these meetings are given on page 81 of Enterprise Governance Report.

The Board formed a 'Related Party Transactions Review Committee' on 26th May 2015.

## Directors Shareholdings

Shareholdings of Directors and their spouses are given on page 144 under 'Share Information'.

Dr. H. Cabral, Mr. B.C.S.A.P. Gooneratne, Prof. U.P. Liyanage, Mr. R. Seevaratnam and Mr. R.C. Weerawardane who are Directors of the Company did not hold any shares of the Company as at 31st March 2015.

## Interest Register and Directors' Interest in Contracts/Proposed Contracts

An Interest Register is maintained by the Company as per requirements of the Companies Act No. 07 of 2007. All Directors have made necessary declarations as provided for in Section 192 (2) of the aforesaid Companies Act.

During the year, entries made in the Interest Register consisted of Directors' interests in contracts, remuneration paid

## Annual Report of the Board of Directors

to the Directors and renewal of Directors' and officers' liability insurance. The Interest Register is available at the registered head 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' Interest in Contracts are given in page 96 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 proposed contract with the Company other than those disclosed.

### Related Party Transactions

The Directors have also disclosed transactions if any, that could be classified as Related Party Transactions in terms of LKAS 24 'Related Party Disclosures'. Those transactions disclosed by the Directors are given in Note 5.1 to the Financial Statements.

### Directors' Remuneration

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

### Accounting Policies

The significant accounting policies adopted by the Group and the Company are given on pages 106 to 140 to the Financial Statements.

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 2015 and of their performance for the year ended on that date. There were no changes to the accounting policies used by the Group during the year.

### Independent Auditors Appointment and Remuneration

The Company's External Auditors, Messrs KPMG, who were re-appointed by a resolution passed at the last Annual General Meeting, have expressed their opinion which appears on page 99 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 other 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.

### 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. The Board has put in place an effective and comprehensive system of internal controls. The Group Management Committee ensures that the internal controls are effectively implemented.

The Enterprise Risk Management report is available on pages 82 to 86.

The Board is satisfied with the effectiveness of the system of internal controls that were in place during the year under review and up to the date of approval of the Annual Report and Financial Statements.

### Corporate Governance

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems & structures required to ensuring best practices in Corporate Governance and their effective implementation. The table on pages 145 to 159 shows the manner in which the Company has complied with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. The Enterprise Governance Report is given on pages 73 to 81.

### Responsible Corporate Behaviour

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

### Material Foreseeable Risk Factors

Information pertaining to material foreseeable risk factors are discussed in the Enterprise Risk Management report in pages 82 to 86.

### Material issues pertaining to Employees and Industrial Relations

There were no material issues pertaining to employees and industrial relations which need to be disclosed.

### Share Information

Information relating to distribution of shareholdings, market value and top twenty shareholders are available on the pages 142 to 144 under 'Share Information'.

### Equitable Treatment to Shareholders

The Company has at all times ensured that all shareholders are treated equitably.

### Donations

The Group and the Company made donations during the year amounting to Rs.11.5 million and Rs.11.4 million respectively (2013/14 - Group: Rs.13.2 million, Company - Rs.5.9 million).

### Property Plant and Equipment and Intangible Assets

The Group and the Company incurred Rs.733.2 million and Rs.746.5 million respectively (2013/14 - Group Rs.1,393.5 million, Company Rs.1433 million) on property plant and equipment, details of which are available in Note 4.9 to the Financial Statements.

There were no additional investment on intangible assets during the year by the Company (2013/14 Rs.40.3 million) which is disclosed in Note 4.11 to the Financial Statements.

### Market Value of Freehold Land

A qualified independent valuer carried out a revaluation of the Company's freehold land on 15th September 2014 and the carrying value of freehold land has been adjusted accordingly. The details of market value of freehold land are given in Note 4.9 to the Financial Statements.

### Stated Capital

There were no shares issues during the financial year.

### Dividends and Reserves

Information on dividends and reserves are available in Note 4.8 and 4.20 to the Financial Statements respectively.

### Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments to the government, other regulatory bodies and relating to the employees have been made on time.

### Environmental Protection

Policies and endeavours made on environmental preservation by the group and the Company are available in pages 61 to 66 of the under Impact Management.

### Events after the Reporting Date

There were no material event that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in the Note 5.4 to the Financial Statements in page 140.

### Going Concern

The Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company as a going concern.

### Compliance with laws and regulations

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

### Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company, No. 65, Jetawana Road, Colombo 14 on Friday, 29th June 2015 at 11.30 am. The notice of Annual General Meeting is given on page 169.

By order of the Board of Directors,



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



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



**B.C.S.A.P. Gooneratne**  
Director

Colombo  
26th May 2015

## Directors' Interest in Contracts with the Company

Related party disclosures as required by the Sri Lanka Accounting Standard -LKAS 24 'Related Party Disclosures' are detailed in Note 5.1 to the Financial Statements. In addition, the Company carries out transactions in the ordinary course of business in an arm's length basis with the entities where the Chairman or Director of the Company is the Chairman or a Director of such entity as detailed below.

Director/ Company	Relationship	Nature of the transaction	Limit Rs.'000	Outstanding as at 31st March 2015 Receivable/ (Payables) Rs.'000	Outstanding as at 31 31st March 2014 Receivable/ (Payables) Rs.'000
<b>Mr. A.M Pandithage</b>					
Lanka Orient Express Lines Ltd	Director	Repairing and servicing of vehicles		39	-
Logiventures (pvt) Ltd	Director	Repairing and servicing of vehicles		89	-
		Sales of vehicle		10,525	-
		Sales of spare parts		471	205
Logiwiz Ltd	Director	Repairing and servicing of vehicles		224	220
Alumex PLC*	Director	Repairing and servicing of vehicles		53	
Amaya Leisure PLC	Director	Repairing and servicing of vehicles		61	43
Dipped Products PLC	Director	Repairing and servicing of vehicles		170	-
Haycarb PLC	Director	Repairing and servicing of vehicles		452	510
Hayleys Free Zone Ltd	Director	Sales of vehicle		999	-
Hayleys Industrial Solutions Ltd	Director	Repairing and servicing of vehicles		149	10
Hayleys Mgt Knitting Mills Ltd	Director	Sales of spare parts		44	-
Mabroc Teas (Pvt) Ltd	Director	Repairing and servicing of vehicles		4	-
Talawakelle Tea Estates PLC**	Director	Repairing and servicing of vehicles		180	-
The Kingsbury PLC	Director	Sales of spare parts		933	-
<b>Mr. R. Seevaratnam</b>					
Omega Line Limited	Non-executive Director	Repairing and servicing of vehicles		774	181
Alpha Apparels Ltd	Non-executive Director	Repairing and servicing of vehicles		1	-
Sirio Limited	Non-executive Director	Sales of spare parts		422	298
<b>Dr. H. Cabral</b>					
Tokyo Cement Company (Lanka) PLC***	Chairman	Sales of spare parts		175	-
		Repairing and servicing of vehicles		3,201	
Tokyo Super Cement Company Lanka (pvt) Ltd	Director	Sales of spare parts		9	-
Tokyo Cement Power (Lanka) Ltd	Director	Repairing and servicing of vehicles		798	-
Commercial Leasing & Finance PLC	Director	Sales of vehicle		78,587	-
Lanka Orix Finance PLC	Director	Sales of vehicle		42,253	9705
Richard Peiris Distributors Ltd	Director	Sales of spare parts		4,687	-
<b>Prof. U.P. Liyanage</b>					
Ceylon Cold Stores PLC	Non-executive Director	Sales of spare parts & ligating product		367	65
Commercial Bank of Ceylon PLC	Non-executive Director	Long-term loan	10,000	(666,950)	(156,910)
		Car park system		36,900	-
		Sales of vehicle		4,000	-
		Repairing & servicing of vehicles		81	-
		Lease arrangement with customers		72,500	17,494

\* Dr. H. Cabral is also a Director

\*\* Prof. U.P. Liyanage is also a Non-Executive Director

\*\*\* Mr. R. Seevaratnam is also a Non-Executive Director

Prof. U.P Liyanage resigned from the Board of the Commercial Bank of Ceylon PLC w.e.f 28th April 2015.



# Board of Directors' Statement on Internal Controls

## Requirement

The 'Code of Best Practice on Corporate Governance 2013' (The Code) issued jointly by the Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka recommends, Board to present a statement on internal controls.

## Responsibility

Maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets is the responsibility of the Board of Directors. The Board identify, significant risks on an ongoing basis and ensure the implementation of appropriate systems to evaluate and manage identified risks.

## Key Internal Control Processes

- ♦ The subcommittees of the Board are established to assist the Board in ensuring the effectiveness of the group's operations and that the Group's operations are in accordance with corporate objective, strategy and annual budget, policies, business environment and internal operating conditions.
- ♦ The Group Internal Audit function provides comfort on the efficiency and effectiveness of the Internal Control System. It monitors compliance with policies and procedures and highlights significant findings in respect of non-compliance. Audits are carried out on all subsidiaries, the frequency of which is determined by the level of risk assessed. The annual audit plan is reviewed and approved by the audit committee.
- ♦ The Audit Committee reviews internal control issues identified by the Group Internal Auditors, External Auditors', regulatory authorities and the management, and evaluates the adequacy of internal control system.

## Confirmation Statement

The Board of Directors of Diesel and Motor Engineering PLC ("Group") confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), Companies act 07 of 2007, Listing Rules of the Colombo Stock Exchange and Requirements of Security and Exchange Commission of Sri Lanka.



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



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



**R. Seevaratnam**  
Chairman - Audit Committee

26th May 2015  
Colombo

## Statement of Directors' Responsibilities for Financial Statements

The Companies Act No. 7 of 2007 require the Directors to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and the profit or loss of the Company and the Group for the financial year.

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. As per the provisions of the Companies Act No. 07 of 2007, the Directors are required to prepare for each financial year and place before general meeting of shareholders the Financial Statements, which comprise;

1. Income Statement and Statement of Comprehensive Income, which presents a true and fair view of the profit or loss of the Group/Company for the financial year; and
2. Statement of Financial Position, which presents a true and fair view of the state of affairs of the Group/Company as at the end of the financial year, which complies with the requirements of the Companies Act No.07 of 2007.

In addition, the Directors have to ensure that Financial Statements present fairly for each financial year the Group's/Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Sri Lanka Accounting Standard (LKAS 1) "Presentation of Financial Statements. Virtually in all circumstances, a fair presentation will be achieved by compliance with all applicable Sri Lanka Accounting Standards.

### Directors also have to ensure that;

- ♦ Appropriate Accounting Policies have been used in a consistent manner;
- ♦ Where necessary, prudent judgment and estimates have been made;
- ♦ Requirements of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 have been followed;
- ♦ Listing rules of the Colombo Stock Exchange are complied with.

The Directors are responsible for ensuring that the companies within the Group keep sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the Group, and to ensure that the Financial Statements presented comply with the requirements of the Companies Act No.07 of 2007.

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

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

The responsibility of the Auditors in relation to the Financial Statements appears in the Report of the Auditors on page 99.

Messrs KPMG, Chartered Accountants, the Auditors of the Company has examined the Financial Statements and the related records and information. Their opinion on Financial Statements is given on page 99.

The Directors are also responsible for taking reasonable measures to safeguard the assets of the Group/Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention

and detection of fraud and irregularities. The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2015 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 Financial Statements.

By Order of the Board,



**B.C.S.A.P. Gooneratne**  
Director

Colombo  
26th May 2015

# Independent Auditors' Report



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
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## TO THE SHAREHOLDERS OF DIESEL AND MOTOR ENGINEERING PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Diesel and Motor Engineering PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 100 to 140.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
  - ♦ 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,
  - ♦ The financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - ♦ The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

**CHARTERED ACCOUNTANTS**  
Colombo

26 May 2015

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne ACA  
R.H. Rajan ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyratne ACA  
R.M.D.B. Rajapakse ACA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo ACA  
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

## Section 1

### Financial Statements

Section 1 provides the key Financial Statements relating to financial performance, position and cash flows of the Group and the Company, which comprises the following.

Statement of Profit or Loss and  
Other Comprehensive Income: Financial performance

Statement of Financial Position: Financial position

Statement of Changes in Equity: Summary of comprehensive  
income and transactions with owners

Statement of Cash Flow: Cash flows

Notes to the Financial Statements: Comprising general  
(Section 3) and specific (Section 4) accounting policies,  
estimates and other disclosures (Section 5).

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Group			Company		
		2015 Rs. '000	2014 Rs. '000	Change %	2015 Rs. '000	2014 Rs. '000	Change %
Revenue	4.2	28,037,376	20,884,674	34	26,179,115	19,185,246	36
Sales taxes		(244,119)	(201,513)	21	(218,412)	(180,872)	21
Net revenue		27,793,257	20,683,161	34	25,960,703	19,004,374	37
Cost of sales		(22,404,349)	(16,366,248)	37	(21,103,811)	(15,226,149)	39
Gross profit		5,388,908	4,316,913	25	4,856,892	3,778,225	29
Other operating income	4.3	51,742	69,419	(25)	63,480	69,722	(9)
Distribution expenses		(603,003)	(549,392)	10	(561,206)	(506,403)	11
Administrative expenses		(3,580,420)	(2,962,384)	21	(3,221,018)	(2,658,182)	21
Results from operating activities		1,257,227	874,556	44	1,138,148	683,362	67
Finance income		21,786	75,511	(71)	27,632	70,617	(61)
Finance costs		(431,980)	(437,209)	(1)	(415,462)	(423,990)	(2)
Net finance costs	4.4	(410,194)	(361,698)	13	(387,830)	(353,373)	10
Profit before tax	4.5	847,033	512,858	65	750,318	329,989	127
Income tax expense	4.6	(250,950)	(119,317)	110	(203,757)	(50,070)	307
Profit for the year		596,083	393,541	51	546,561	279,919	95
<b>Other Comprehensive Income</b>							
<b>Items that will never be reclassified to profit or loss</b>							
Actuarial loss arising from employee benefits	4.22	(10,128)	(25,272)	(60)	(7,725)	(23,347)	(67)
Gain on freehold land revaluation		818,525	-	-	818,525	-	-
Deferred tax on actuarial loss	4.6.2	2,835	7,076	(60)	2,163	6,537	(67)
		811,232	(18,196)	4,558	812,963	(16,810)	4,936
<b>Items that are or may be reclassified to profit or loss</b>							
Net fair value gains/(losses) on remeasuring financial assets available-for-sale		1,894	(255)	843	1,889	(253)	847
		1,894	(255)	843	1,889	(253)	847
Total other comprehensive income net of tax		813,126	(18,451)	4,507	814,852	(17,063)	4,876
Total comprehensive income for the year		1,409,209	375,090	276	1,361,413	262,856	418
Basic and diluted earnings per share - (Rs.)	4.7	67.15	44.34		61.57	31.54	

Figures in brackets indicate deductions.

The Notes appearing on pages 106 to 140 form an integral part of these Financial Statements.

## Statement of Financial Position

As at 31st March	Note	Group		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Assets					
Non - Current Assets					
Property, plant and equipment	4.9	7,981,082	6,746,756	8,005,699	6,750,935
Lease rentals paid in advance	4.10	26,731	28,936	26,731	28,936
Intangible assets	4.11	24,750	35,723	24,750	35,723
Investments in subsidiaries	4.12	-	-	23,350	20,645
Financial assets available-for-sale	4.14	6,717	4,823	6,690	4,801
Deferred tax assets	4.23	122,156	121,172	-	-
Total non - current assets		8,161,436	6,937,410	8,087,220	6,841,040
Current Assets					
Inventories	4.15	4,778,575	4,867,641	4,596,100	4,755,944
Trade and other receivables	4.16	4,118,726	2,742,873	3,451,804	2,099,995
Other current assets	4.17	804,148	421,086	739,714	391,852
Current tax asset	4.28	1,265	86,856	3,301	107,913
Amount due from subsidiaries	4.29.1	-	-	18,951	56,468
Cash and cash equivalents	4.18	208,139	1,038,788	186,676	1,033,806
Total current assets		9,910,853	9,157,244	8,996,546	8,445,978
Total assets		18,072,289	16,094,654	17,083,766	15,287,018
Equity and Liabilities					
Equity					
Stated capital	4.19	425,297	425,297	425,297	425,297
Other components of equity	4.20.1	2,838,894	2,018,475	2,838,875	2,018,461
Revenue reserves	4.20	5,973,747	5,473,721	5,323,841	4,871,606
Total equity attributable to the equity holders of the Company		9,237,938	7,917,493	8,588,013	7,315,364
Non-Current Liabilities					
Long-term borrowings	4.21.1	1,175,330	1,499,763	1,175,330	1,499,763
Employee benefits	4.22	415,647	349,642	390,664	332,521
Deferred tax liabilities	4.23	247,548	151,079	124,860	28,932
Deferred income	4.24	173,243	91,018	123,584	57,691
Total non-current liabilities		2,011,768	2,091,502	1,814,438	1,918,907
Current Liabilities					
Trade payables	4.26	1,981,182	1,208,337	1,882,388	1,129,614
Other current liabilities	4.27	762,893	426,959	660,219	400,473
Current portion of long-term borrowings	4.21.1	421,780	333,080	421,780	333,080
Short-term borrowings	4.21.2	3,656,728	4,117,283	3,620,807	3,964,245
Amounts due to subsidiaries	4.29.1	-	-	96,121	225,335
Total current liabilities		6,822,583	6,085,659	6,681,315	6,052,747
Total liabilities		8,834,351	8,177,161	8,495,753	7,971,654
Total equity and liabilities		18,072,289	16,094,654	17,083,766	15,287,018
Net assets per share					
		1,040.73	891.97	967.51	824.13

### Certification

These Financial Statements as set out on pages 100 to 140 have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



E.D.C. Kodituwakku  
General Manager - Finance and Controlling  
Member - Group Management Committee

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board,



A.R. Pandithage  
Chairman/Managing Director



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

26th May 2015  
Colombo

Figures in brackets indicate deductions.

The Notes appearing on pages 106 to 140 form an integral part of these Financial Statements.

## Statement of Changes in Equity

	Note	Other Components of Equity			Revenue Reserves		Total
		Stated Capital	Revaluation Reserve	Available-for -Sale Reserve	General Reserve	Retained Earnings	
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Group							
As at 01st April 2013		425,297	2,014,752	3,978	3,817,290	1,369,850	7,631,167
Profit for the year		-	-	-	-	393,541	393,541
Other comprehensive income		-	-	(255)	-	(18,196)	(18,451)
Total comprehensive income		-	-	(255)	-	375,345	375,090
Transaction with owners, recorded directly in equity - contributions and distributions							
Dividends to equity owners							
2012/13 Final - Dividend		-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	-	300,000	(300,000)	-
Total transactions with owners		-	-	-	300,000	(388,764)	(88,764)
As at 31st March 2014		425,297	2,014,752	3,723	4,117,290	1,356,431	7,917,493
Profit for the year		-	-	-	-	596,083	596,083
Other comprehensive income		-	818,525	1,894	-	(7,293)	813,126
Total comprehensive income		-	818,525	1,894	-	588,790	1,409,209
Transaction with owners, recorded directly in equity - contributions and distributions							
Dividends to equity owners							
2013/14 Final - Dividend	4.8	-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	-	225,000	(225,000)	-
Total transactions with owners		-	-	-	225,000	(313,764)	(88,764)
As at 31st March 2015		425,297	2,833,277	5,617	4,342,290	1,631,457	9,237,938
Company							
As at 01st April 2013		425,297	2,014,752	3,962	3,679,464	1,017,797	7,141,272
Profit for the year		-	-	-	-	279,919	279,919
Other comprehensive income		-	-	(253)	-	(16,810)	(17,063)
Total comprehensive income		-	-	(253)	-	263,109	262,856
Transaction with owners, recorded directly in equity - contributions and distributions							
Dividends to equity owners							
2012/13 Final - Dividend		-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	-	225,000	(225,000)	-
Total transactions with owners		-	-	-	225,000	(313,764)	(88,764)
As at 31st March 2014		425,297	2,014,752	3,709	3,904,464	967,142	7,315,364
Profit for the year		-	-	-	-	546,561	546,561
Other comprehensive income		-	818,525	1,889	-	(5,562)	814,852
Total comprehensive income		-	818,525	1,889	-	540,999	1,361,413
Transaction with owners, recorded directly in equity - contributions and distributions							
Dividends to equity owners							
2013/14 Final - Dividend	4.8	-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	-	175,000	(175,000)	-
Total transactions with owners		-	-	-	175,000	(263,764)	(88,764)
As at 31st March 2015		425,297	2,833,277	5,598	4,079,464	1,244,377	8,588,013

The General reserve and Retained earnings represent reserves available for distribution.

Available-for-sale reserve consists of net unrealised gains arising from fair valuation of available-for-sale financial assets, excluding the impact arising from impairment of assets.

Figures in brackets indicate deductions.

The Notes appearing on pages 106 to 140 form an integral part of these Financial Statements.



## Consolidated Cash Flow Statement

For the year ended 31st March	Note	Group	2014	Company	2014
		2015 Rs. '000	Rs. '000	2015 Rs. '000	Rs. '000
Cash Flows from Operating Activities					
Profit before taxation		847,033	512,858	750,318	329,989
Adjustment for					
Depreciation on property, plant and equipment	4.9	298,179	208,888	291,081	200,409
Amortisation of intangible assets and lease rentals	4.10/4.11	13,178	8,974	13,178	8,974
Amortisation of deferred income		82,225	(49,294)	65,893	(19,620)
Reversal of impairment of investments in subsidiaries	4.12.1	-	-	(2,705)	(9,500)
Profit on disposal of property, plant and equipment	4.3	(22,018)	(6,971)	(22,030)	(6,993)
Derecognition of capital work-in-progress	4.9	7,280	-	7,280	-
Interest expenses	4.4	423,000	437,209	415,462	423,990
Interest income	4.4	(21,786)	(59,856)	(21,284)	(59,136)
Dividend income	4.3	(48)	(522)	(15,798)	(11,322)
Foreign currency loan translation variance	4.21.1.1	16,238	(1,280)	16,238	(1,280)
Provision for/(reversal of) impairment of trade receivables	4.5	7,810	(19,275)	7,709	(31,914)
Provision for/(reversal of) slow moving inventories	4.5	3,328	(87,605)	(15,575)	(83,751)
Provision for employee benefit obligation excluding actuarial loss	4.5	67,428	55,935	61,794	51,850
		1,721,847	999,061	1,551,561	791,696
Changes in working capital					
(Increase)/decrease in inventories		85,738	(638,130)	175,419	(616,635)
Increase in trade and other receivables		(1,383,663)	(637,483)	(1,359,518)	(414,080)
Increase in other current assets		(383,062)	(214,692)	(347,862)	(213,766)
(Increase)/decrease in amount due from subsidiaries		-	-	37,517	(56,468)
Increase in trade payables		772,845	365,293	752,774	336,896
Increase/(decrease) in other current liabilities		337,031	(55,860)	260,843	(60,314)
Increase/(decrease) in amounts due to subsidiaries		-	-	(129,214)	68,223
Cash generated from/(used in) operating activities		1,150,736	(181,811)	941,520	(164,448)
Interest paid		(424,097)	(438,676)	(416,559)	(425,457)
Employee benefits-paid	4.22	(11,551)	(18,611)	(11,376)	(16,147)
Income tax paid	4.28	(67,039)	(87,751)	(1,054)	(5,737)
Net cash generated from/(used in) operations		648,049	(726,849)	512,531	(611,789)

For the year ended 31st March	Note	Group		Company	
		2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Cash Flow from Investing Activities					
Proceeds from disposal of property, plant and equipment		34,001	12,195	34,001	12,196
Dividend received		48	522	15,798	11,322
Interest received		21,786	59,856	21,284	59,136
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	(733,243)	(1,393,500)	(746,571)	(1,433,034)
Acquisition of intangible assets	4.11	-	(40,356)	-	(40,356)
Net cash used in investing activities		(677,408)	(1,361,283)	(675,488)	(1,390,736)
Cash Flows from Financing Activities					
Proceeds from long-term borrowings	4.21.1.1	600,000	1,293,880	600,000	1,293,880
Repayment of long-term borrowings	4.21.1.1	(851,971)	(229,960)	(851,971)	(229,960)
Dividend paid	4.20	(88,764)	(88,764)	(88,764)	(88,764)
Net cash from/(used in) financing activities		(340,735)	975,156	(340,735)	975,156
Net decrease in cash and cash equivalents		(370,094)	(1,112,976)	(503,692)	(1,027,369)
Cash and cash equivalents at beginning of the year		(3,078,495)	(1,965,519)	(2,930,439)	(1,903,070)
Cash and cash equivalents at end of the year (Note-A)		(3,448,589)	(3,078,495)	(3,434,131)	(2,930,439)
Note-A					
Analysis of Cash and Cash Equivalents at the end of the year					
Cash and bank balances and short-term investments	4.18	208,139	1,038,788	186,676	1,033,806
Short-term borrowings	4.21.2	(3,656,728)	(4,117,283)	(3,620,807)	(3,964,245)
Cash and cash equivalents		(3,448,589)	(3,078,495)	(3,434,131)	(2,930,439)

Figures in brackets indicate deductions.

The Notes appearing on pages 106 to 140 form an integral part of these Financial Statements.

## Section 2

### Corporate Information

This section gives a description of the reporting entity, the principal activities of the Company and Group entities and the identification of Financial Statements and its authorisation.

#### 2.1 Reporting Entity

Diesel & Motor Engineering PLC (the Company) is a limited liability Company listed on the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka. The Company and its Subsidiaries have the registered office at No. 65, Jetawana Road, Colombo 14. The ordinary shares of the Company are being traded in the Colombo Stock Exchange.

#### 2.2 Consolidated Financial Statements

The Consolidated Financial Statements of Diesel & Motor Engineering PLC as at and for the year ended 31st March 2015 comprise the Company and its fully-owned subsidiaries (together referred to as the 'Group' and individually as 'Group Entities').

Diesel & Motor Engineering PLC does not have any identifiable parent of its own. The Company is the ultimate parent of the Group.

#### 2.3 Principal activities and nature of operations

The principal activities of the Company and its subsidiaries are as follows:

Entity	Principal Business Activities
<b>The Company</b>	
Diesel & Motor Engineering PLC	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, power tools, import and sale of vehicle spares, components, accessories, providing lighting solutions and storage systems.
<b>Fully-owned Subsidiaries</b>	
Dimo (Pvt) Ltd	Sale and after sales services of biomedical equipment, power engineering solutions, building technologies, generator sets, diesel engines for marine propulsion and rail traction, and fluid management systems.
Dimo Travels (Pvt) Ltd	Provision of transportation facilities.
Dimo Industries (Pvt) Ltd	Import and sale of tyres.

There were no significant changes in the nature of the principal activities of the Group and the Company during the financial year under review. Activities of the Group are described in more detail in the 'Group Structure' on page 7.

All subsidiaries of the Company have been incorporated in Sri Lanka.

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend to liquidate or to cease trading activities in any of Group entities.

#### 2.4 Approval of Financial statements by the Board of Directors

The Financial Statements for the year ended 31st March 2015, were authorised for issue by the Board of Directors on 26th May 2015.

## Section 3

### Basis of Preparation

This section provides the basis of preparation of Financial Statements including significant accounting policies and application of Sri Lanka Accounting Standards and other relevant statutory requirements.

This section provides a summary of significant accounting policies, significant accounting judgements, estimates and assumptions used, other general accounting policies and Sri Lanka Accounting Standards (SLFRS) not yet adopted.

All specific accounting policies and accounting estimates in relation to the reported values have been presented in the respective Notes in Section 4.

#### 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 and in compliance with the requirements of the Companies Act No. 07 of 2007.

#### 3.2 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 the certification on the Statement of Financial Position on pages 93 to 95, 98 and 102 respectively, of this annual report.

#### 3.3 Basis of Measurement

The Financial Statements of the Group/Company have been prepared on historical cost basis, except for freehold land and financial assets available for sale measured at fair value and defined benefit obligation which is recognised at present value.

#### 3.4 Functional and Presentation Currency

The Financial Statements of the Group/Company are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

#### 3.5 Use of Materiality, Offsetting and Rounding

##### Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

##### Offsetting

Assets and liabilities and income and expenses in the Financial Statements are not set off unless required or permitted by Sri Lanka Accounting Standards.

##### Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousand, except where otherwise indicated.

#### 3.6 Summary of Significant Accounting Policies

The accounting policies set out in each of the individual Notes to the Financial Statements of the Group/Company, have been applied consistently to all periods presented in these Financial Statements.

Management considers the accounting policies relating to revenue recognition to be significant accounting policies. These policies are presented in more details in Note 4.1.

In addition, the accounting policies relating to the following are considered relevant to understanding these Consolidated Financial Statements.

- ♦ Property, plant and equipment (Note 4.9)
- ♦ Fair value of assets and liabilities (Note 4.13)
- ♦ Inventories (Note 4.15)
- ♦ Trade and other receivables (Note 4.16)

## Basis of Preparation

### 3.7 Summary of Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements of the Group/Company in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

Management considered the following items, where significant judgments, estimates and assumptions have been used in preparing these Financial Statements.

#### Going concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's/Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

The following Notes provide more information on specific accounting judgments, estimations and assumptions used.

- ♦ Impairment of non financial assets (Note 3.9)  
Management judgement is used when assessing the indicators of impairment.
- ♦ Deferred tax (Note 4.23)
- ♦ Provision for impairment of trade receivables (Note 4.16)
- ♦ Defined benefit obligation (Note 4.22)
- ♦ Provision for impairment of investments in subsidiaries (Note 4.12.1)
- ♦ Provisions and contingent liabilities (Note 4.25)

### 3.8 New Accounting Standards Became Effective and Adopted during the Year

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and have been adopted from the accounting period commencing from 1st April 2014.

SLFRS 10, 'Consolidated Financial Statements', builds on existing principles by identifying the concept of control as the determining factor when assessing whether an entity should be included within the Consolidated Financial Statements of the parent company. The Standard provides additional guidance to assist in the determination of control where it is difficult to assess. The new standard did not have any effect on the Consolidated Financial Statements of the Group as at the reporting date.

SLFRS 11, 'Joint Arrangement', The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements). The new standard did not have any effect on the Consolidated Financial Statements of the Group as at the reporting date, in the absence of a joint venture in the Group.

SLFRS 12, 'Disclosures of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. Necessary disclosures required by the new Standard have been included in the Notes to the Financial Statements.

SLFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs/LKASs. The Group did not have any material impact from the implementation of SLFRS 13. Necessary disclosures required by the new Standard have been included in the Notes to the Financial Statements.

#### New standards not yet adopted

##### Sri Lanka Accounting Standards (SLFRSs) issued but not yet effective.

The new Accounting Standards, amendments and interpretations issued but not effective for the financial year commencing 1st April 2014 have not been applied when preparing these Financial Statements.

SLFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. SLFRS 9 replaces the parts of LKAS 39 that relate to classification and measurement of financial instruments.

SLFRS 9, requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the Standard retains most of the LKAS 39 requirements. This standard will become effective on 01st January 2018.

SLFRS 14, 'Regulatory Deferral Account', The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. This Standard will not have significant impact on the Group and become effective on 01st January 2016.

SLFRS 15, 'Revenue from Contracts with Customers', The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. This Standard will become effective on 01st January 2018. The impact on the implementation of the above Standard has not been quantified yet.

There are no other Standards or interpretations that are issued but not effective as at the reporting date.

### **3.9 General Accounting Policies**

#### **Basis of consolidation**

The Group's Financial Statements comprise consolidation of the Financial Statements of the Company, its Subsidiaries in terms of the Sri Lanka Accounting Standard-SLFRS 10 on 'Consolidated Financial Statements'.

#### **Subsidiaries**

Subsidiaries are investees that are controlled by the Company. The Company 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company reassess whether it has control if there are changes to one or more of the elements of control. All the subsidiaries are consolidated from the date that control commences until the date that control ceases.

A list of the Group's subsidiaries is set out in Note 4.12 to the Financial Statements.

Financial Statements of the Group entities are prepared to a common financial year ending 31st March, using uniform accounting policies.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company (The Parent) in the form of cash dividend or repayment of loans and advances.

#### **Transactions eliminated on consolidation**

Intra-group balances and transactions, income and expenses and any unrealised gains 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.

#### **Foreign currency translation**

##### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group/ Group entities at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of the functional currency prevailing at the reporting date.

Foreign exchange differences arising on translation of foreign exchange transactions are recognised as a profit or a loss in the Statement of Profit or Loss.

##### **Impairment of non-financial assets**

All non-financial assets, other than inventories, 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. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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 the purpose of 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 are largely independent of the cash inflows of other assets.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications 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 is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Section 4

### Specific Accounting Policies and Notes

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

#### 4.1 Revenue

##### Accounting Policies

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The Group/Company separately identifies different components of a single transaction in order to reflect the substance of the transaction. The following specific criteria are used for the purpose of recognition of revenue.

##### Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

##### Provision of services

Revenue from services rendered is recognised in Profit or Loss once all significant performance obligations have been provided.

##### Constructions related contracts

Revenue from construction related contracts is recognised in Profit or Loss by reference to the stage of completion of the transactions at the end of the reporting date.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

##### Service support income

Service support income which is included in revenue represents income received from foreign principals on indent sales. Such income is recognised on an accrual basis at the time of supply of goods and services relating to the service support provided by the Group.

#### 4.2 Segment Information

##### Accounting Policies

The operating businesses are organised and managed separately according to the nature of the products and services provided. The primary segment reporting format is determined based on products and services

offered as the Group's risks and returns are affected predominantly by differences in the products and services provided.

The Group comprises of the following main business segments as per the products and services offered:

##### Vehicles - Sales

Sale of brand new passenger vehicles, commercial vehicles, agri machinery, special purpose vehicles and pre-owned passenger vehicles.

##### Vehicles - After Services

Repair and service of vehicle included in the vehicle-sale segment, sale of vehicle spare parts, accessories and components.

##### Marketing and Distribution

Sale of power tools and accessories, lamps, lighting fittings and accessories, tyres and retreaded tyres.

##### Construction and Material Handling Equipment

Sales and services of earth moving machinery, road construction machinery, forklifts, material handling machinery, racking systems, dock levellers and car parking systems.

##### Electro-Mechanical, Bio Medical and Marine Engineering

Sale, installation, commissioning and maintenance of medical equipment, generating sets, diesel engines for marine propulsion and rail traction, building management systems, fluid management systems, industrial refrigeration systems and power engineering equipment and systems.

Inter-segment transfers are based on fair market prices (arm's length basis in a manner similar to transactions with third parties). Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated assets and liabilities comprise mainly of assets and liabilities that cannot be attributed to a particular segment.

Finance income and expenses and income taxes are managed at Group level and are not allocated to 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 as all the segments are operating in the same economic environment.



## Segmental Results and Assets/Liabilities

### Group

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Electro Mechanical and Bio Medical and Marine Engineering		Total	
For the year ended 31st March	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000

### Business Segment Turnover and Results

Total segment revenue	17,982,146	13,288,560	3,850,302	2,800,344	3,419,260	2,822,779	1,806,465	1,321,621	1,815,760	1,900,079	28,873,933	22,133,383
Inter-segment revenue	(8,846)	(26,319)	(657,403)	(732,990)	(68,525)	(172,384)	(56,649)	(47,846)	(45,134)	(269,170)	(836,557)	(1,248,709)
Total external revenue	17,973,300	13,262,241	3,192,899	2,067,354	3,350,735	2,650,395	1,749,816	1,273,775	1,770,626	1,630,909	28,037,376	20,884,674
Segment results	1,347,136	692,280	454,245	386,107	295,923	209,697	201,221	174,681	152,363	245,859	2,450,888	1,708,624
Unallocated other income	-	-	-	-	-	-	-	-	-	-	51,742	69,419
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(1,245,403)	(903,487)
Finance costs- net	-	-	-	-	-	-	-	-	-	-	(410,194)	(361,698)
Income tax expense	-	-	-	-	-	-	-	-	-	-	(250,950)	(119,317)
Profit for the year	-	-	-	-	-	-	-	-	-	-	596,083	393,541

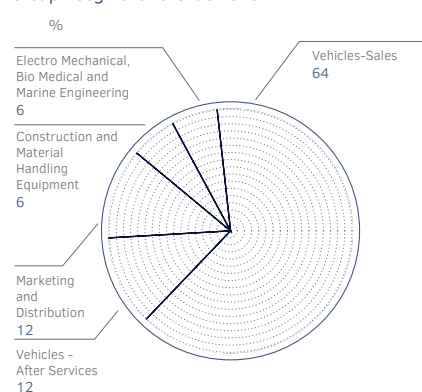
### Business Segment Assets and Liabilities

Segment assets	3,527,316	4,028,135	1,578,546	1,429,507	1,759,877	1,505,377	1,067,082	579,762	1,359,269	1,494,910	9,292,090	9,037,691
Unallocated assets	-	-	-	-	-	-	-	-	-	-	8,780,199	7,056,963
Total assets											18,072,289	16,094,654
Segment liabilities	1,889,258	374,858	241,245	63,968	299,093	53,312	375,313	854	5,059	30,893	2,809,968	523,885
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	6,024,383	7,653,276
Equity	-	-	-	-	-	-	-	-	-	-	9,237,938	7,917,493
Total equity and liabilities											18,072,289	16,094,654

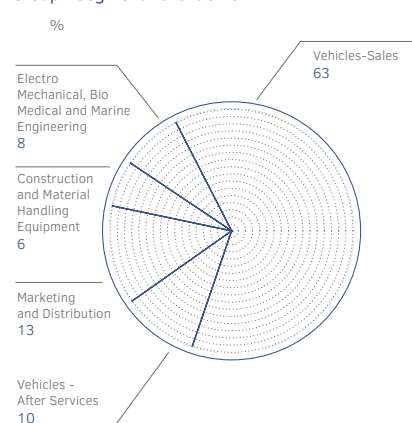
### Other Information

Capital expenditure	20,902	52,331	47,389	84,881	3,386	23,259	7,180	3,813	6,123	4,296	84,980	168,580
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	648,263	1,265,276
Depreciation and amortisation	25,083	22,868	97,077	74,741	16,844	11,786	5,613	4,213	10,264	8,478	154,881	122,086
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	156,476	95,776

Group - Segment Revenue 2015



Group - Segment Revenue 2014



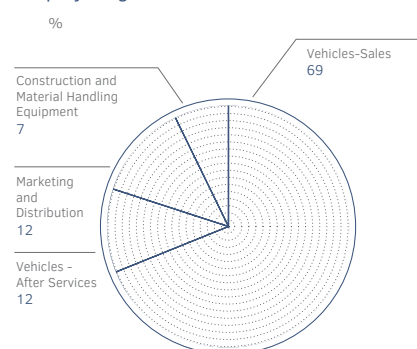
## Specific Accounting Policies and Notes

### Segmental Results and Assets/Liabilities

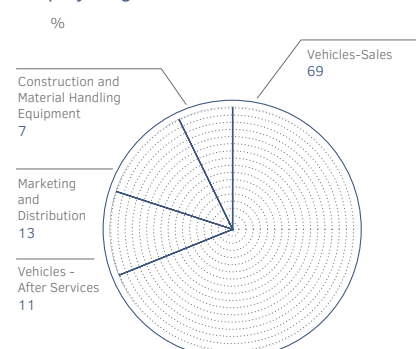
#### Company

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Total	
For the year ended 31st March	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Business Segment Turnover and Results</b>										
Total segment revenue	17,982,146	13,288,560	3,850,302	2,800,344	3,324,894	2,702,904	1,806,465	1,321,621	26,963,807	20,113,429
Inter-segment revenue	(8,814)	(25,759)	(653,698)	(716,402)	(65,531)	(138,176)	(56,649)	(47,846)	(784,692)	(928,183)
Total external revenue	17,973,332	13,262,801	3,196,604	2,083,942	3,259,363	2,564,728	1,749,816	1,273,775	26,179,115	19,185,246
Segment results	1,347,136	692,280	454,245	386,107	295,923	209,697	201,221	174,681	2,298,525	1,462,765
Unallocated other income	-	-	-	-	-	-	-	-	63,480	69,722
Unallocated expenses	-	-	-	-	-	-	-	-	(1,223,857)	(849,125)
Finance costs - net	-	-	-	-	-	-	-	-	(387,830)	(353,373)
Income tax expense	-	-	-	-	-	-	-	-	(203,757)	(50,070)
Profit for the year	-	-	-	-	-	-	-	-	546,561	279,919
<b>Business Segment Assets and Liabilities</b>										
Segment assets	3,527,316	4,028,135	1,578,546	1,429,507	1,759,877	1,505,377	1,067,082	579,762	7,932,821	7,542,781
Unallocated assets	-	-	-	-	-	-	-	-	9,150,945	7,744,237
Total assets									17,083,766	15,287,018
Segment liabilities	1,889,258	374,858	241,245	63,968	299,093	53,312	375,313	854	2,804,909	492,992
Unallocated liabilities	-	-	-	-	-	-	-	-	5,690,844	7,478,662
Equity	-	-	-	-	-	-	-	-	8,588,013	7,315,364
Total equity and liabilities									17,083,766	15,287,018
<b>Other Information</b>										
Capital expenditure	20,902	52,331	47,389	84,881	3,386	23,259	7,180	3,813	78,857	164,284
Unallocated capital expenditure	-	-	-	-	-	-	-	-	667,714	1,309,106
Depreciation and amortisation	25,083	22,868	97,077	74,741	16,844	11,786	5,613	4,213	144,617	113,608
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	159,642	95,775

Company - Segment Revenue 2015



Company - Segment Revenue 2014



### 4.3 Other Operating Income/(Expenses)

#### Accounting Policies

Income earned and expenses incurred on other sources, which are not directly related to the normal operations of the Group are recognised as other operating income/(expenses).

The following specific criteria are used for the purpose of recognising income.

#### Deferred income on sale and lease back transactions

The excess of sales proceeds over the cost of an asset in a sale and lease back transaction is classified as deferred income. Deferred income is systematically amortised to Profit or Loss over the lease period.

#### Dividend income

Dividend income is recognised when the Group/Company right to receive payment is established.

#### Other Operating Income

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Amortisation of deferred income	-	1,595	-	1,595
Sundry income	29,676	60,331	25,652	49,812
Dividend income	48	522	15,798	11,322
Profit on disposal of property, plant and equipment	22,018	6,971	22,030	6,993
	51,742	69,419	63,480	69,722

### 4.4 Finance Income and Expenses

#### Accounting Policies

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

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables). Interest expenses are recognised using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in Profit or Loss in the period in which they occur.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Finance Income</b>				
Interest income	21,786	59,856	21,284	59,136
Exchange gain on translation of foreign currency	-	15,655	6,348	11,481
<b>Total finance income</b>	<b>21,786</b>	<b>75,511</b>	<b>27,632</b>	<b>70,617</b>
<b>Finance Costs</b>				
Interest on long-term borrowings	(105,692)	(40,673)	(105,692)	(40,673)
Interest on short-term borrowings	(317,308)	(396,536)	(309,770)	(383,317)
Exchange loss on translation of foreign currency	(8,980)	-	-	-
<b>Total finance costs</b>	<b>(431,980)</b>	<b>(437,209)</b>	<b>(415,462)</b>	<b>(423,990)</b>
<b>Net finance costs</b>	<b>(410,194)</b>	<b>(361,698)</b>	<b>(387,830)</b>	<b>(353,373)</b>
<b>Capitalisation of Finance Income and Costs</b>				
Finance income	7,216	8,399	7,216	8,399
Finance costs	(16,192)	(57,622)	(16,192)	(57,622)
<b>Net finance costs</b>	<b>(8,976)</b>	<b>(49,223)</b>	<b>(8,976)</b>	<b>(49,223)</b>

## Specific Accounting Policies and Notes

### 4.5 Profit Before Tax

Profit before tax is stated after charging/(reversing) the following:

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Directors' emoluments-Short-term employment benefits	207,809	173,211	192,236	159,273
Directors' emoluments-Post-employment benefits	41,988	41,434	39,133	39,111
Auditors' remuneration				
Audit and audit-related service	4,447	3,621	3,531	2,995
Non-audit services	571	464	341	310
Depreciation on property, plant and equipment	298,179	208,888	291,081	200,409
Amortisation of intangible assets and lease rentals paid in advance	13,178	8,974	13,178	8,974
Provision for/(reversal of) impairment of trade receivables	7,810	(19,275)	7,709	(31,914)
Provision for/(reversal of) slow moving inventories	3,328	(87,605)	(15,575)	(83,751)
Donations	11,515	13,191	11,360	5,949
Legal fees	25,233	17,668	24,508	17,225
Staff expenses (Note 4.5.1)	1,686,434	1,344,015	1,479,959	1,174,398

#### 4.5.1 Staff Expenses

##### Accounting Policies

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

##### Staff Expenses

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Defined contribution plan cost	182,403	160,925	159,187	139,918
Employee benefit obligation cost (Note 4.22.1)	67,428	55,935	61,794	51,850
Training expenses	43,412	42,803	29,245	34,339
Salaries and wages	1,393,191	1,084,352	1,229,733	948,291
	1,686,434	1,344,015	1,479,959	1,174,398
Average number of employees for the year	1,524	1,518	1,352	1,349

The average number of employees is calculated by averaging the number of employees as at the year end in the current and previous year.

## 4.6 Income Tax

### Accounting Policies

Income tax expense for the year comprises current and deferred tax including adjustments to previous years and changes in tax provisions. It is recognised in Profit or Loss except, to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI).

### Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

### Accounting Estimate

The Group/Company recognises liabilities for anticipated tax, based on estimate of taxable income where the final tax outcome of these matters is different from the amount that were initially recorded, such differences will be adjusted in the current year's income tax charge and/ or in the deferred assets/liabilities as appropriate in the period in which such determination is made.

### Deferred tax

A detail disclosure of accounting policies and estimate of deferred tax are available in Note 4.23.

### Income Tax Expense

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Current Tax Expense</b>				
Current tax on profit for the year (Note 4.6.1)	138,031	66,795	93,633	-
Under provision in respect of previous year	14,599	1,181	12,033	-
	152,630	67,976	105,666	-
<b>Deferred Tax Expense</b>				
Origination of temporary differences (Note 4.6.2)	98,320	51,341	98,091	50,070
<b>Total income tax expense</b>	<b>250,950</b>	<b>119,317</b>	<b>203,757</b>	<b>50,070</b>

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

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Profit before taxation	847,033	512,858	750,318	329,989
Disallowable expenses	664,789	405,705	605,991	383,017
Allowable expenses	(790,818)	(385,242)	(759,119)	(365,392)
Income not liable for tax	(15,798)	(11,322)	(15,798)	(11,322)
Qualifying payments	(247,039)	(343,492)	(246,989)	(336,292)
<b>Taxable income</b>	<b>458,167</b>	<b>178,507</b>	<b>334,403</b>	<b>-</b>
<b>Income tax</b>				
Tax at 12%	-	622	-	-
Tax at 28%	138,031	66,173	93,633	-
<b>Current tax on profits for the year</b>	<b>138,031</b>	<b>66,795</b>	<b>93,633</b>	<b>-</b>
<b>Effective tax rate (%)</b>	<b>16%</b>	<b>13%</b>	<b>12%</b>	<b>0%</b>

Current tax has been computed in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and amendments thereto.

The companies within the Group are liable to income tax at 28%. The tax on export profits is 12%.

Withholding tax on the final dividend approved on 26th May 2015 is Rs. 16.1 million. The actual liability arises in the year in which dividend is paid. Therefore, no liability is recognised in these Financial Statements.

## Specific Accounting Policies and Notes

### 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	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Statement of Profit or Loss (Note 4.23.2)	98,320	51,341	98,091	50,070
Other Comprehensive Income (Note 4.23.2)	(2,835)	(7,076)	(2,163)	(6,537)
	95,485	44,265	95,928	43,533

### 4.6.3 Tax Losses Brought Forward and Utilised during the Year

For the year ended 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Tax losses at the beginning of the year	2,221	6,050	-	-
Tax losses under claimed previous year	(1,142)	-	-	-
Claimed during the year	(1,079)	(3,829)	-	-
Tax losses at the end of the year	-	2,221	-	-

Tax losses claimed were in relation to Dimo Industries (Pvt) Ltd.

## 4.7 Earnings Per Share - Basic and Diluted

### Accounting Policies - Measurement basis

The earnings per share has been calculated by dividing the profit for the year attributable to 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.

For the year ended 31st March	Group		Company	
	2015	2014	2015	2014
Profit attributable to ordinary shareholders (Rs. '000)	596,083	393,541	546,561	279,919
Weighted average number of ordinary shares	8,876,437	8,876,437	8,876,437	8,876,437
Earnings per ordinary share - basic and diluted (Rs.)	67.15	44.34	61.57	31.54

## 4.8 Dividends

### Calculation of Dividend Per Share

For the year ended 31st March	Company	
	2015 Rs. '000	2014 Rs. '000
Final dividend approved	177,529	88,764
	177,529	88,764
Dividend per share (Rs.)	20	10

No interim dividend was paid during the financial year 2014/15. (No interim dividend was paid in 2013/14.)

### 4.8.1 Approved Final Dividend

On 26th May 2015, the Board of Directors of the Company has recommended the payment of a first and final dividend of Rs. 20.00 per share for the year ended 31st March 2015 (2013/14 - final dividend of Rs. 10.00 per share). In accordance with the provisions of LKAS 10 on

'Events after the Reporting Period', this final dividend has not been recognised as a liability in the Financial Statements as at 31st March 2015.

#### 4.8.2 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 final dividend. A statement of solvency completed and duly signed by the Directors on 26th May 2015 has been audited by Messrs KPMG, Chartered Accountants.

### 4.9 Property Plant and Equipment

#### Accounting Policies

##### Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group/ Company and cost of the asset can be measured reliably.

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

##### Basis of measurement

All property, plant and equipment are initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs. The cost of self-constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction.

##### Cost model

Property, plant and equipment (excluding freehold land), is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

When an asset's carrying value is higher than its estimated recoverable amount, the carrying value is written down to its recoverable amount. (Please refer Note 3.9 - Impairment of non-financial assets)

##### Revaluation model

Freehold land is stated at cost at the time of acquisition and subsequently measured at fair value at the next revaluation. The Group policy is to revalue all freehold land at every three years or when there is a substantial difference between the fair value and the carrying amount.

Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in equity in the capital reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in Profit or Loss, in which case the increase is recognised in Profit or Loss.

A revaluation deficit is recognised in Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the capital reserve. Upon disposal, any revaluation reserve relating to particular assets being sold is transferred to retained earnings.

##### Subsequent cost

When significant parts of a property, plant and equipment are required to be replaced at regular intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciated accordingly. Ongoing repair and maintenance costs are recognised in Profit or Loss as incurred.

##### Derecognition

An item of property, plant and equipment is derecognised upon disposal, replacement or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in Profit or Loss in the period the asset is derecognised.

##### Depreciation

Depreciation is based on straight-line method over the estimated useful lives of the assets. Freehold land is not depreciated.

Depreciation of an asset begins from the date it is available for use or in respect of self constructed assets from the date that the asset is completed and ready for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

The estimated useful lives of assets are as follows:

Class of Asset	Year
Buildings	36 - 40
Buildings on leasehold land	Over the lease period
Plant and machinery	08-13
Workshop implements	03-04
Motor vehicles	03-04
Furniture and fittings	09-13
Office equipment and electrical fittings	06-10
Computer hardware and software	03-04

Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted if appropriate.

##### Capital work-in-progress

Capital work-in-progress is stated at cost, including borrowing costs, less any accumulated impairment losses. These would be transferred to the relevant asset category in property, plant and equipment when the asset is completed and available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.



## Specific Accounting Policies and Notes

### Carrying Value of Property, Plant and Equipment

#### Group

	* Freehold Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Capital work-in progress	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost or Revalued Amount</b>											
At the beginning of the year	3,396,858	701,828	227,277	457,151	190,655	423,602	210,756	292,561	1,917,505	7,818,193	6,451,176
Revaluation	818,525	-	-	-	-	-	-	-	-	818,525	-
Additions	176,539	13,224	391	44,127	11,645	132,363	12,021	21,979	320,954	733,243	1,393,500
Transferred from capital work-in-progress	-	1,667,540	7,767	175,578	36,228	-	7,939	209,989	(2,105,041)	-	-
Disposals/ Derecognition of CWIP	-	-	-	(10,318)	(497)	(49,802)	(3,954)	(3,447)	(7,280)	(75,298)	(26,483)
At the end of the year	4,391,922	2,382,592	235,435	666,538	238,031	506,163	226,762	521,082	126,138	9,294,663	7,818,193
<b>Depreciation</b>											
At the beginning of the year	-	138,596	34,746	165,401	155,669	275,964	154,632	146,429	-	1,071,437	883,807
Charge for the year	-	54,840	24,184	44,121	25,867	82,074	30,210	36,883	-	298,179	208,888
On disposals	-	-	-	(5,057)	(478)	(43,713)	(3,812)	(2,975)	-	(56,035)	(21,258)
At the end of the year	-	193,436	58,930	204,465	181,058	314,325	181,030	180,337	-	1,313,581	1,071,437
Carrying amount as at 31st March 2015	4,391,922	2,189,156	176,505	462,073	56,973	191,838	45,732	340,745	126,138	7,981,082	-
Carrying amount as at 31st March 2014	3,396,858	563,232	192,531	291,750	34,986	147,638	56,124	146,132	1,917,505	-	6,746,756

#### Company

	* Freehold Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Capital work-in progress	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2015	2014
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost or Revalued Amount</b>											
At the beginning of the year	3,396,858	700,213	227,277	419,854	170,202	420,027	191,012	276,459	1,961,430	7,763,332	6,356,403
Revaluation	818,525	-	-	-	-	-	-	-	-	818,525	-
Additions	176,539	12,993	391	43,851	10,141	130,488	10,049	21,714	340,405	746,571	1,433,034
Transferred from capital work-in-progress	-	1,700,153	7,767	186,650	36,228	-	7,939	229,361	(2,168,098)	-	-
Disposals/ Derecognition of CWIP	-	-	-	(10,318)	(408)	(49,802)	(3,579)	(3,172)	(7,280)	(74,559)	(26,105)
At the end of the year	4,391,922	2,413,359	235,435	640,037	216,163	500,713	205,421	524,362	126,457	9,253,869	7,763,332
<b>Depreciation</b>											
At the beginning of the year	-	138,215	34,746	150,761	139,447	272,973	139,989	136,266	-	1,012,397	832,890
Charge for the year	-	55,402	24,184	42,050	24,031	80,178	27,650	37,586	-	291,081	200,409
On disposals	-	-	-	(5,057)	(389)	(43,713)	(3,441)	(2,708)	-	(55,308)	(20,902)
At the end of the year	-	193,617	58,930	187,754	163,089	309,438	164,198	171,144	-	1,248,170	1,012,397
Carrying amount as at 31st March 2015	4,391,922	2,219,742	176,505	452,283	53,074	191,275	41,223	353,218	126,457	8,005,699	-
Carrying amount as at 31st March 2014	3,396,858	561,998	192,531	269,093	30,755	147,054	51,023	140,193	1,961,430	-	6,750,935

\*freehold land is carried at revalued amount.

#### 4.9.1 Revaluation of Freehold Land

Freehold land was revalued as at 15th September 2014 by Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka) who is a professionally qualified independent valuer.

The revaluation was carried out by taking into account the observable prices in the active market or recent market transactions on arm's length terms, adjusted for any difference in the nature, location or condition of the specific property.

The revaluation surplus, amounting to Rs. 818.5 million was credited to the Revaluation reserve account during the year.

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

Location	Freehold Land		Revalued	Revalued Amount as No. of Times of Cost	Freehold Building Square Feet	Pledged	Mortgaged to Financial Institution
	Extent	Original Cost					
		Rs. '000	Rs. '000				
No. 65, Jetawana Road, Colombo 14 and No. 56, K. Cyril C. Perera Mawatha, Colombo 14	2A-OR-33.29P	414	1,523,320	3,679.52	85,272	–	–
No. 61, Jetawana Road, Colombo 14	0A-1R-04.00P	18,014	242,000	13.43	11,418	–	–
No. 74, Jetawana Road, Colombo 14	0A-1R-14.56P	113,808	272,800	2.40	4,043	–	–
No. 800, Sirimawo Bandaranaike Mawatha, Colombo 14	3A-3R-14.00P	641,519	930,900	1.45	229,025	–	–
No. 135, Mahena Road, Siyambalape and No. 274/A, Kakunagaha Watta, Siyambalape	8A-3R-19.90P	37,606	281,700	7.49	96,300	–	–
Kirindiwela Road, Weliweriya	16A-OR-36.31P	89,958	248,625	2.76	219,880	✓	Commercial Bank
No.360, Madampitiya Road, Mahawatta, Colombo 14	1A-2R-26.80P	301,599	533,600	1.77	–	–	–
No. 09, Ariyala, Kandy Road, Jaffna	1A-2R-26.72P	32,487	32,700	1.01	38,675	–	–
Yaggapitiya Watta, Dambulla Road, Kurunegala	5A-OR-0P	54,599	56,000	1.03	–	–	–
No. 23, Kaldemulla Road, Ratmalana	0A-3R-27.04P	92,102	93,738	1.02	17,323	–	–
No. 63 & 63 A Jetawana Road, Colombo 14	0A-1R-08.75 P	176,539	176,539*	–	13,294	–	–
<b>Total</b>		<b>1,558,645</b>	<b>4,391,922</b>		<b>715,230</b>		

\*This freehold land was acquired subsequent to the last revaluation date and therefore, the original cost is shown under the 'Revalued' column.

#### 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.587.1 million (2014 - Rs. 435.6 million) and 551.2 million (2014 - Rs. 404.6 million) respectively.

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

Land and buildings with a carrying value of Rs. 248 million (2014 - Rs. 191 million) have been pledged as security against term loans obtained.

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

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

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

There were no restrictions existed on the title to the property, plant and equipment of the Group/Company as at the reporting date.

## Specific Accounting Policies and Notes

### 4.10 Lease Rentals Paid in Advance

#### Accounting Policies

Lease rentals paid in advance are stated at cost less accumulated amortisation. Such carrying amounts are amortised over the remaining lease period or useful life of the leasehold property whichever is shorter.

#### Carrying Value of Lease Rentals Paid in Advance

As at 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Cost</b>				
At the beginning of the year	39,938	39,938	39,938	39,938
Additions during the year	-	-	-	-
At the end of the year	39,938	39,938	39,938	39,938
<b>Accumulated Amortisation</b>				
At the beginning of the year	8,797	6,592	8,797	6,592
Amortisation for the year	2,205	2,205	2,205	2,205
At the end of the year	11,002	8,797	11,002	8,797
Carrying amount at the end of the year	28,936	31,141	28,936	31,141
Current portion of lease rentals paid (Note 4.17)	2,205	2,205	2,205	2,205
Non-current portion of lease rentals paid	26,731	28,936	26,731	28,936
Carrying amount at the end of the year	28,936	31,141	28,936	31,141

#### 4.10.1 Details of Lease Rentals Paid in Advance

Location	Amount of Lease	Duration of the Lease
	Rs. '000	
i. No. 562/126, D.S. Senanayake Mawatha, Anuradhapura	2,400	From April 1997 to August 2021
ii. No. 562/100, Jayanthi Mawatha, Anuradhapura	37,538	From October 2010 to May 2028
	39,938	

### 4.11 Intangible Assets

#### Accounting Policies

##### Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

##### Basis of measurement

Acquired intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

##### 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 when incurred.

##### Useful economic lives, amortisation

Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful life from the date that they are available for use. These assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets mainly represent cost of computer software and the amortisation rate is as follows:

Computer software      4 Years

Above rate is consistent with the rate used in the previous years. Amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## Derecognition

Intangible assets are derecognised on disposal, replacement or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in Profit or Loss in the period the asset is derecognised.

## Carrying Value of Intangible Assets

As at 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
<b>Cost</b>				
At the beginning of the year	46,700	6,344	46,700	6,344
Additions during the year*	-	40,356	-	40,356
At the end of the year	46,700	46,700	46,700	46,700
<b>Accumulated Amortisation</b>				
At the beginning of the year	10,977	4,208	10,977	4,208
Amortisation for the year	10,973	6,769	10,973	6,769
At the end of the year	21,950	10,977	21,950	10,977
Carrying amount at the end of the year	24,750	35,723	24,750	35,723

\* Additions in 2013/14 consist of investment in application software.

## 4.12 Investments in Subsidiaries

### Accounting Policies

Investments in subsidiaries are recorded at cost less impairment in the Financial Statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

### Accounting Estimate – Provision for Impairment

An impairment assessment was carried out as at 31st March 2015 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value. During the year impairment provision of Rs. 2.7 million in relation to the investment in Dimo Industries (Pvt) Ltd was reversed due to increase in net realisable value above original carrying value. The management has implemented a revitalisation plan for Dimo Industries (Pvt) Ltd and commenced tyre trading activities with effect from 1st April 2013.

## Carrying Value of Investments in Subsidiaries

As at 31st March	Percentage of Holding (%)	Company	
		2015 Rs. '000	2014 Rs. '000
Unquoted Investment - Ordinary Shares			
Dimo (Pvt) Ltd - 25,000 ordinary shares	100	250	250
Dimo Industries (Pvt) Ltd - 2,305,000 ordinary shares	100	23,050	23,050
Dimo Travels (Pvt) Ltd - 500 ordinary shares	100	50	50
		23,350	23,350
Impairment provision (Note 4.12.1)		-	(2,705)
		23,350	20,645

The Group does not have any subsidiaries with significant non controlling interests as all subsidiaries are fully owned by Diesel & Motor Engineering PLC. Accordingly no additional disclosures are made in these Financial Statements under SLFRS 12.

## Specific Accounting Policies and Notes

### 4.12.1 Provision for Impairment of Investments in Subsidiaries

As at 31st March	Company	
	2015 Rs. '000	2014 Rs. '000
At the beginning of the year	2,705	12,205
Reversal of impairment	(2,705)	(9,500)
At the end of the year	-	2,705

### 4.13 Fair value of Assets and Liabilities

#### Accounting Policies

#### Financial assets

##### Initial recognition and measurement

Group/Company classifies financial assets at initial recognition as available-for-sale financial assets or loans and receivables based on the purpose of each investment. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial assets are initially recognised at fair value plus directly attributable transaction cost.

The subsequent measurement of financial assets depends on their classification. Please refer Notes 4.14 and 4.16 on pages 126 and 127 for details of different types of financial assets recognised on Statement of Financial Position.

##### Available-for-sale financial assets (AFS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale financial assets or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets consist of investments in quoted shares held for earnings on income or for capital appreciation.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly consist of trade and other receivables.

##### Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The right to receive cash flows from the asset has expired
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash in full without material delay to a third party under a 'pass through' arrangement, and either,
  - The Group: has transferred substantially all the risks and rewards of the asset, or

- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in Profit or Loss.

#### Financial liabilities

##### Initial recognition and measurement

The Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value, net of transaction cost. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

The subsequent measurement of financial liabilities depends on their classification. Please refer Notes 4.21 and 4.26 on pages 131 and 137 for details of financial liabilities recognised on Statement of Financial Position.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

##### Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 4.13.1 Financial Assets and Liabilities by Category

##### Financial Assets

As at 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
i. Financial assets at fair value through profit or loss	-	-	-	-
ii. Held-to-maturity (HTM)	-	-	-	-
iii. Loans and receivables (L&R)				
Trade and other receivables	4,118,726	2,742,873	3,451,804	2,099,995
Cash and cash equivalents	208,139	1,038,788	186,676	1,033,806
Amount due from subsidiaries	-	-	18,951	56,468
iv. Available-for-sales (AFS)				
Financial assets available-for-sale	6,717	4,823	6,690	4,801
<b>Total financial assets</b>	<b>4,333,582</b>	<b>3,786,484</b>	<b>3,664,121</b>	<b>3,195,070</b>

##### Financial Liabilities

As at 31st March	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
i. Financial liabilities at fair value through profit or loss	-	-	-	-
ii. Other financial liabilities				
Current portion of long-term borrowings	421,780	333,080	421,780	333,080
Long-term borrowings	1,175,330	1,499,763	1,175,330	1,499,763
Short-term borrowings	3,656,728	4,117,283	3,620,807	3,964,245
Trade payables	1,981,182	1,208,337	1,882,388	1,129,614
Amounts due to subsidiaries	-	-	96,121	225,335
<b>Total financial liabilities</b>	<b>7,235,020</b>	<b>7,158,463</b>	<b>7,196,426</b>	<b>7,152,037</b>

##### Non-financial assets measured at fair value

The valuations of freehold land performed by the valuer are based on active market prices or recent market transactions on arm's length term, significantly adjusted for difference in the nature, location or condition of the specific property.

##### Fair value estimation of assets and liabilities

The Group/Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs with significant effects on the recorded fair values are observable, either directly or indirectly;

Level 3: techniques that use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

## Specific Accounting Policies and Notes

The Group held the following financial and non-financial assets carried at fair value in the Statement of Financial Position.

		Group		Company	
		2015	2014	2015	2014
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial assets</b>					
Classified as available-for-sale	Level 1	6,717	4,823	6,690	4,801
	Level 2	-	-	-	-
	Level 3	-	-	-	-
<b>Non-financial assets</b>					
Freehold land	Level 1	-	-	-	-
	Level 2	-	-	-	-
	Level 3	4,391,922	3,396,858	4,391,922	3,396,858

Financial liabilities are not measured at fair value.

### 4.13.2 Financial Risk Management

The Group's activities are exposed to a variety of financial risks such as;

- Market risk (Including currency risk, fair value interest rate risk and cash flow interest rate risk)
- Credit risk
- Liquidity risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The overall objectives and policies for the Group's financial risk management are as per the internal treasury practices. It will cover foreign exchange policy, investment policy, financing policy and policies on credit risk and risk limits.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of Sri Lankan Rupee (LKR) against the US Dollar (USD), Euro (EUR) and Japanese Yen (JPY). Group's functional currency is the Sri Lankan Rupee (LKR) in which most of the transactions are denominated and all other currencies are considered foreign currencies for reporting purposes. The Group had taken measures to manage risk by having foreign currency trade receivables and foreign currency bank accounts balances to cover the exposure on foreign currency payables. Hence the overall objective of foreign exchange 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.

Sensitivity Analysis - Based on exchange rate fluctuation against Sri Lankan Rupee

		Group		Company	
		2015	2014	2015	2014
<b>US Dollar (USD)</b>					
% of Appreciation/(depreciation) during the financial year		2.13	3.52	2.13	3.52
1% change impact to profitability by- Rs'000		3,225	4,242	3,407	3,301
<b>Euro (EUR)</b>					
% of Appreciation/(depreciation) during the financial year		-19.67	11.39	-19.67	11.39
1% change impact to profitability by- Rs'000		386	3,096	397	1,088
<b>Japanese Yen (JPY)</b>					
% of Appreciation/(depreciation) during the financial year		-12.53	-4.96	-12.53	-4.96
1% change impact to profitability by- Rs'000		581	306	582	301

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating rates. The Group manages its interest rate risk by monitoring and

managing cash flows, negotiating favourable rates on borrowings and deposits including and maintaining an appropriate combination of fixed and floating rate debt.



### Sensitivity Analysis

If interest rates had been higher/lower by 100 basis points and all other variables were held constant, the profit before tax for the period ended 31st March 2015 would decrease/increase by 10.4 million (2014 Rs 12.2 million). This is mainly attributable to the Group's exposure to interest rates on variable rate of interest.

### (iii) Equity price risk

The Group is exposed to equity price risk because of investments in quoted shares held by the Group classified as financial assets available-for-sale. The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

### (b) Credit risk

The Group extends credit facilities to customers during the course of business. Therefore, non-payment of trade debts is a key risk associated with 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 debtors 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, a legal action is initiated by the Manager - Legal.

### Credit risk exposure

The maximum risk exposure of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

For the year ended 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Trade and other receivables	4,118,726	2,742,873	3,451,804	2,099,995
Amounts due from subsidiaries	-	-	18,951	56,468
Cash and cash equivalents	208,139	1,038,788	186,676	1,033,806
Total credit risk exposure	4,326,865	3,781,661	3,657,431	3,190,269

### Deposits and balances with banks

For the year ended 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Fitch Rating				
AAA	67,752	68,797	67,752	68,797
AA+	74,654	821,765	74,654	821,765
AA	1,975	1,786	1,625	1,750
AA-	39,113	121,959	20,261	119,274
A	-	-	-	-
BB	-	-	-	-
	183,494	1,014,307	164,292	1,011,586

### (c) Liquidity risk

This is the risk that the Group will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to source of funding is sufficiently available.

Maturity profiles and specific risk management strategies with regard to trade payables and bank borrowings are given in the respective Notes.

## Specific Accounting Policies and Notes

### 4.13.3 Capital Risk Management

The objectives of the capital management can be summarised as follows:

- Appropriately allocate capital to meet strategic objectives.
- Enable the Group to face any economic downturn/ crisis situation.

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence in order to sustain future development of the business. The impact of the shareholders' return is

also recognised and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company manages its capital structure and adjusts it accordingly in line with changes in global and local economic and market conditions and its overall risk appetite.

Given below is a summary of the capital structure of the Group:

For the year ended 31st March	2015 Rs'000	2014 Rs'000
Long-term borrowings (Note 4.21.1.1)	1,597,110	1,832,843
Equity	9,237,938	7,917,493
Total equity and long-term borrowings	10,835,048	9,750,336
Gearing ratio (%)	15%	19%

### 4.14 Available-for-Sale Financial Assets (AFS)

#### Accounting Policies

Available-for-sale financial assets are subsequently measured at fair value and the resulting unrealised gains and losses arising from changes in the fair value are recognised in Other Comprehensive Income (available-for-sale reserve). When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in Profit or Loss.

The fair values of quoted shares are based on current bid prices at the end of the reporting period.

Dividend income is recognised in Profit or Loss when the Group becomes entitled to receive the dividend.

#### Accounting Estimate - Assessment of Impairment

The Group assesses at each reporting date whether there is any objective evidence that an asset or a group of assets are impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period for which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, is removed from Other Comprehensive Income (available-for-sale reserve).

#### Carrying Value of Available-for-Sale Financial Asset

	Group					Company				
	No. of Shares	Market Value	Total Cost	Fair Value		No. of Shares	Market Value	Total Cost	Fair Value	
		2015 (Per Share)	Rs. '000	2015 Rs. '000	2014 Rs. '000		2015 (Per Share)	Rs. '000	2015 Rs. '000	2014 Rs. '000
As at 31st March										
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	59.90	14	54	44	450	59.90	7	27	22
Hatton National Bank PLC (non-voting)	33,943	165.00	700	5,601	4,073	33,943	165.00	700	5,601	4,073
Ceylinco Insurance PLC (non-voting)	1,700	625.00	298	1,062	706	1,700	625.00	298	1,062	706
			1,012	6,717	4,823			1,005	6,690	4,801

## 4.15 Inventories

### Accounting Policies

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories that are not interchangeable are recognized by using specific identification of their individual cost and other inventories are based on weighted average cost formula. The cost of inventories includes expenditure incurred in acquiring the inventories and other

costs incurred in bringing them to their present location and condition but excluding borrowing cost.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Goods-in-transit are recognised at purchase cost.

### Carrying Value of Inventories

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Stock-in-trade	3,895,624	4,303,732	3,854,827	4,221,759
Work-in-progress (at cost)	227,231	122,814	87,973	89,312
Provision for slow moving inventories (Note 4.15.1)	(255,751)	(252,423)	(229,049)	(244,624)
	3,867,104	4,174,123	3,713,751	4,066,447
Goods-in-transit	911,471	693,518	882,349	689,497
Total inventories at the lower of cost and net realisable value	4,778,575	4,867,641	4,596,100	4,755,944

#### 4.15.1 Movement in Provision for Slow Moving Inventories

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
At the beginning of the year	252,423	340,028	244,624	328,375
Provision for/(reversal of) slow moving inventories	3,328	(87,605)	(15,575)	(83,751)
At the end of the year	255,751	252,423	229,049	244,624

## 4.16 Trade and Other Receivables

### Accounting Policies

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 (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### Accounting Estimate - Provision for Impairment

The Group/Company considers evidence of impairment for receivables at both specific asset level and at collective level. All individually significant receivables are assessed for specific impairment by considering objective evidences i.e. Experiencing a significant financial difficulty or default in payments by a customer. Receivables that are not individually assessed are then collectively assessed for any impairment by grouping receivables together with similar risk characteristics.

In assessing collective impairment, the Group/Company uses historical trends of the probability of default, the timing of recoveries, and the amount of losses incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested historical trends.

## Specific Accounting Policies and Notes

### Carrying Value of Trade and Other Receivables

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Trade receivables	4,356,133	2,968,878	3,647,706	2,284,433
Provision for impairment (Note 4.16.1)	(250,487)	(242,677)	(208,595)	(200,886)
	4,105,646	2,726,201	3,439,111	2,083,547
Other receivables	13,080	16,672	12,693	16,448
Carrying value	4,118,726	2,742,873	3,451,804	2,099,995

#### 4.16.1 Movement in Provision for Impairment of Trade Receivables

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
At the beginning of the year	242,677	261,952	200,886	232,800
Provision for/(reversal of) impairment of trade receivables	7,810	(19,275)	7,709	(31,914)
At the end of the year	250,487	242,677	208,595	200,886

#### 4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Not due	2,521,128	1,837,842	2,177,249	1,390,909
Due but not impaired				
Between 61 days to - 180 days	959,080	623,581	785,806	531,999
Between 181 days to - 365 days	495,757	198,094	378,748	125,424
Over 365 days	129,681	66,684	97,308	35,215
Net trade receivables - maximum exposure to credit risk	4,105,646	2,726,201	3,439,111	2,083,547
Provision for impairment	250,487	242,677	208,595	200,886
Gross trade receivables	4,356,133	2,968,878	3,647,706	2,284,433

With respect to trade receivables as at the reporting date, past due but not impaired, based on credit history, there are no indications that customer will not be able to meet their obligations. No indication of default is identifiable for trade receivables that are neither past due nor impaired.

#### 4.16.3 Carrying amount of trade receivables are denominated in the following currencies.

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Currency				
Sri Lankan Rupees	3,949,177	2,518,329	3,327,449	1,916,723
USD	103,069	119,040	90,237	113,690
Euro	52,179	59,056	20,283	25,942
Japanese Yen	706	27,181	627	26,684
Other	515	2,595	515	508
	4,105,646	2,726,201	3,439,111	2,083,547

**4.16.4** Trade debtors jointly with inventories have been pledged as security for short-term borrowings up to a limit of Rs.95 million (2013/14 - Rs. 95 million).

#### 4.17 Other Current Assets

##### Accounting Policies

The Group/Company classifies all non financial current assets under other current assets. Other current assets mainly comprise of advances, deposits, prepayments and current portion of the lease rentals paid in advance.

##### Carrying Value of Other Current Assets

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Deposits and prepayments	782,225	305,417	718,710	279,168
Lease rentals paid in advance (Note 4.10)	2,205	2,205	2,205	2,205
Other receivables	19,718	113,464	18,799	110,479
	<b>804,148</b>	<b>421,086</b>	<b>739,714</b>	<b>391,852</b>

#### 4.16.5 Terms of Trade and Other Receivables

Trade and other receivables are non-interest-bearing and are expected to be received within 60 days.

Advances and deposits are carried at historical value less provision for impairment. Prepayments are amortised over the period during which it is utilised and carried at historical value less amortisation charge and any impairment.

#### 4.18 Cash and Cash Equivalents

##### Accounting Policies

Cash and cash equivalents comprise of cash balances, investments in short-term deposits with an original maturity of three months or less. Cash and bank balances are stated at recoverable values. Short-term deposits are stated at recoverable value of the deposit. There were no cash and cash equivalents held by the Group companies that were not available for use.

Bank overdrafts and short-term borrowings that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

##### Carrying Value of Cash and Cash Equivalents

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Bank balances	183,494	118,057	164,292	115,336
Investment in fixed deposits	-	896,250	-	896,250
Cash in hand	24,645	24,481	22,384	22,220
	<b>208,139</b>	<b>1,038,788</b>	<b>186,676</b>	<b>1,033,806</b>

##### Review of credit and interest rate risks

The Group's cash and cash equivalents comprise of bank balances and fixed deposits which are invested in commercial banks and does not bear a credit risk.

Fixed deposits have been placed with the maturity period less than three months and carrying a fixed rate of interest. Investments in fixed deposits are made for varying periods of between one month to three months.

## Specific Accounting Policies and Notes

### 4.18.1 Carrying amount of cash and cash equivalents are denominated in the following currencies.

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Currency				
Sri Lankan Rupees	108,360	179,872	105,749	177,575
USD	61,768	855,219	61,761	852,707
Euro	38,011	278	19,166	105
Yen	-	3,419	-	3,419
	208,139	1,038,788	186,676	1,033,806

### 4.19 Stated Capital

As at 31st March	Company			
	2015 No. of Shares	Rs. '000	2014 No. of Shares	Rs. '000
Ordinary Shares				
Issued and Fully-paid Ordinary Shares				
At the end of the year	8,876,437	425,297	8,876,437	425,297

### 4.20 Revenue Reserve

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
At the beginning of the year	5,473,721	5,187,140	4,871,606	4,697,261
Dividend	(88,764)	(88,764)	(88,764)	(88,764)
Statement of Profit or Loss				
Profit for the year	596,083	393,541	546,561	279,919
Other Comprehensive Income				
Actuarial loss arising from employees benefits (Net of tax)	(7,293)	(18,196)	(5,562)	(16,810)
At the end of the year	5,973,747	5,473,721	5,323,841	4,871,606

#### 4.20.1 Other Components of Equity

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
At the beginning of the year	2,018,475	2,018,730	2,018,461	2,018,714
Other Comprehensive Income				
Net fair value gains/(losses) on remeasuring financial assets available for-sale	1,894	(255)	1,889	(253)
Gain on freehold land revaluation	818,525	-	818,525	-
At the end of the year	2,838,894	2,018,475	2,838,875	2,018,461

## 4.21 Long-term and Short-term Borrowings

### Accounting Policies

Borrowings are initially recognised at fair value net of transactions cost. 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 effective interest method.

### 4.21.1 Carrying Value of Long-term Borrowings

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
i. Non-current portion of the long-term borrowings				
Term loans (Note 4.21.1.1)	1,175,330	1,499,763	1,175,330	1,499,763
Total non-current long-term borrowings	1,175,330	1,499,763	1,175,330	1,499,763
ii. Current portion of the long-term borrowings				
Term loans (Note 4.21.1.1)	421,780	333,080	421,780	333,080
Total current portion of long-term borrowings	421,780	333,080	421,780	333,080

### 4.21.1.1 Movement and Classification of Long-term Borrowings

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
At the beginning of the year	1,832,843	770,203	1,832,843	770,203
Loans obtained during the year	600,000	1,293,880	600,000	1,293,880
Repayments during the year	(851,971)	(229,960)	(851,971)	(229,960)
Exchange rate variance	16,238	(1,280)	16,238	(1,280)
At the end of the year	1,597,110	1,832,843	1,597,110	1,832,843
Classified as current liabilities (repayable within one year)	421,780	333,080	421,780	333,080
Classified as non current liabilities (repayable after one year)	1,175,330	1,499,763	1,175,330	1,499,763

### 4.21.1.2 Principal Amounts of Long-term Borrowings

Lender	Currency	Company		Balance Outstanding as at 31.03. 2015	Secured	Repayments Tenure
		2015 Rs. '000	2014 Rs. '000			
Commercial Bank of Ceylon PLC	LKR	400,000	400,000	116,950	✓	Repayable in 120 instalments commenced from February 2008
DFCC Bank	LKR	250,000	250,000	-	-	Fully settled during the financial year
Bank of Ceylon	LKR	500,000	500,000	175,000	-	Repayable in 60 instalments commenced from January 2012
DFCC Bank	LKR	500,000	500,000	-	-	Fully settled during the financial year
HSBC Bank	USD	793,880	793,880	755,160	-	Repayable in 60 instalments commenced from December 2014
Commercial Bank of Ceylon PLC	LKR	600,000	-	550,000	-	Repayable in 60 instalments commenced from December 2014
<b>Total</b>		<b>3,043,880</b>	<b>2,443,880</b>	<b>1,597,110</b>		

Details of land which have been pledged against above bank loan facilities are disclosed in Note 4.9.3.



## Specific Accounting Policies and Notes

### 4.21.1.3 Analysis of Long-term Borrowings by the year of Repayment

	Commercial Bank of Ceylon PLC Rs. '000	DFCC Bank Rs. '000	Bank of Ceylon Rs. '000	HSBC Bank Rs'000	Total 2015 Rs'000	Total 2014 Rs'000
<b>Movement of Loans</b>						
Balance at the beginning of the year	156,910	608,333	275,000	792,600	1,832,843	770,203
Loans obtained during the year	600,000	-	-	-	600,000	1,293,880
Repayments during the year	(89,960)	(608,333)	(100,000)	(53,678)	(851,971)	(229,960)
Exchange rate variance	-	-	-	16,238	16,238	(1,280)
<b>Balance at the end of the year</b>	<b>666,950</b>	<b>-</b>	<b>175,000</b>	<b>755,160</b>	<b>1,597,110</b>	<b>1,832,843</b>
<b>Analysis of Long-term Borrowings by Period of Repayment</b>						
Repayable- within 6 months from year end	79,980	-	50,000	80,910	210,890	144,980
- between 6 months and 1 year	79,980	-	50,000	80,910	210,890	188,100
- between 1 and 5 years from year end	506,990	-	75,000	593,340	1,175,330	1,499,763
- later than 5 years from year end	-	-	-	-	-	-
	666,950	-	175,000	755,160	1,597,110	1,832,843

### 4.21.2 Short-term Borrowings

	Group		Company	
As at 31st March	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Short-term bank loans	3,465,972	3,835,720	3,465,972	3,762,535
Bank overdrafts	190,756	281,563	154,835	201,710
	<b>3,656,728</b>	<b>4,117,283</b>	<b>3,620,807</b>	<b>3,964,245</b>

Unutilised bank facilities as at 31st March 2015 amounted to Rs.6,737.5 million (2014 - Rs. 6,325 million).

Short-term bank loans are repayable within a period of six months and details of inventories and book debts which have been pledged against above short-term loan facilities are disclosed in Note 4.16.4.

## 4.22 Employee Benefits

### Accounting Policies

#### Defined contribution plans

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'. The contributions made are expensed to Profit or Loss as and when the contributions are made.

#### Defined benefit obligations

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). Any actuarial gains and losses arising are recognised immediately in Other Comprehensive Income. The discount rate has been derived considering the yield of government bonds.

The liability is not externally funded.

## Accounting Estimates

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, and

mortality rates. Due to the long term nature of these obligation, such estimates are subject to significant uncertainty.

## Carrying Value of Defined Benefit Obligation

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Present value of unfunded obligation	415,647	349,642	390,664	332,521
At the beginning of the year	349,642	287,046	332,521	273,471
Current service cost	30,726	25,795	26,879	23,135
Interest cost	36,702	30,140	34,915	28,715
Actuarial loss	10,128	25,272	7,725	23,347
Paid during the year	(11,551)	(18,611)	(11,376)	(16,147)
At the end of the year	415,647	349,642	390,664	332,521

### 4.22.1 Defined Benefit Obligation Recognised in Profit or Loss and Other Comprehensive Income

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
<b>Statement of Profit or Loss</b>				
Current service cost	30,726	25,795	26,879	23,135
Interest cost	36,702	30,140	34,915	28,715
	67,428	55,935	61,794	51,850
<b>Other Comprehensive Income</b>				
Actuarial loss	10,128	25,272	7,725	23,347
	10,128	25,272	7,725	23,347
Total charge for the year	77,556	81,207	69,519	75,197

An actuarial valuation was carried out as at 31st March 2015 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer:

	2015 %	2014 %
Rate of discount	10.00	10.50
Salary escalation rate	9.5	10

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by the Institute of Actuaries, London.

Normal retirement age of an executive employee is assumed to be 60 years while a non-executive employee is assumed to retire at the age of 55 years.

The current service cost for the year under review is included under Administrative expenses.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of five years of continuous service. The liability as required by the Payment of Gratuity Act for the Group and the Company as at 31st March 2015 amounted to Rs. 427.2 million and Rs. 399.9 million respectively.

## Specific Accounting Policies and Notes

### Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected defined benefit obligation by the amounts shown below.

	Defined Benefit Obligation			
	Group		Company	
	1% Increase Rs. '000	1% Decrease Rs. '000	1% Increase Rs. '000	1% Decrease Rs. '000
Rate of discount	(18,183)	19,490	(16,099)	17,707
Salary escalation rate	20,158	(19,032)	18,265	(16,822)

### 4.23 Deferred Tax

#### Accounting Policies

Deferred tax is provided using liability method on temporary differences as at the reporting date between the tax bases of assets and liabilities and their carrying amounts for Financial reporting purpose.

Deferred tax provision is calculated by applying on the temporary difference, the income tax rate that is applicable at the time of reversal. In the absence of the availability of the income tax rate applicable on the reversal date, the income tax rate applicable on the reporting date is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

#### Accounting Estimate - Judgement Used

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment 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.

### Carrying Value of Deferred Tax Assets/(Liabilities)

	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
As at 31st March				
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	(29,907)	14,358	(28,932)	14,601
Origination of temporary differences to Profit or Loss	(98,320)	(51,341)	(98,091)	(50,070)
Reversal of temporary differences to Other Comprehensive Income	2,835	7,076	2,163	6,537
At the end of the year (Note 4.23.1)	(125,392)	(29,907)	(124,860)	(28,932)

#### 4.23.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
<b>Deferred Tax Liability</b>				
Temporary difference arising from property, plant and equipment	(884,101)	(539,566)	(857,216)	(516,741)
Total temporary difference of deferred tax liability	(884,101)	(539,566)	(857,216)	(516,741)
Closing deferred tax liability @ 28%	(247,548)	(151,079)	(240,021)	(144,688)
<b>Deferred Tax Assets</b>				
Temporary difference arising from defined benefit obligations	415,647	349,642	390,664	332,521
Temporary difference arising from tax losses	-	2,221	-	-
Temporary difference arising from deferred free service income and warranty provision	20,625	80,892	20,625	80,892
Total temporary difference of deferred tax assets	436,272	432,755	411,289	413,413
Closing deferred tax assets @ 28%	122,156	121,172	115,161	115,756
Net temporary differences	(447,829)	(106,811)	(445,927)	(103,328)
Net deferred tax (liability)/asset	(125,392)	(29,907)	(124,860)	(28,932)

#### 4.23.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group				Company			
	Balance as at 01.04.2014	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2015	Balance as at 01.04.2014	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance as at 31.03.2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment - Deferred tax liability	(151,079)	(96,469)	-	(247,548)	(144,688)	(95,333)	-	(240,021)
Retirement benefit obligation - Deferred tax asset	97,901	15,645	2,835	116,381	93,107	14,116	2,163	109,386
Tax loss-Deferred tax asset	622	(622)	-	-	-	-	-	-
Deferred free service and Warranty provision- Deferred tax assets	22,649	(16,874)	-	5,775	22,649	(16,874)	-	5,775
	(29,907)	(98,320)	2,835	(125,392)	(28,932)	(98,091)	2,163	(124,860)

#### 4.24 Deferred Income

##### Accounting Policies

##### Undelivered free services relating to vehicle sales

The Company sells vehicles bundled with free services to the customers with warranty limitations on mileage or usage period. The unprovided free services are deferred at the time of selling the vehicles at its relative fair value and recognised as revenue when the recognition criteria are fulfilled i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

##### Accounting Estimate

##### Relative fair value of free services

The amount charged by the service provider in respect of each service is recognised as the relative fair value of free services. These amounts are estimated using the combination of historical experience in service and price changes.

## Specific Accounting Policies and Notes

### Carrying Value of Deferred Income

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
At the beginning of the year	91,018	140,312	57,691	77,311
Income deferred during the year	407,764	329,079	194,268	149,292
Income amortised during the year	(325,539)	(378,373)	(128,375)	(168,912)
At the end of the year	173,243	91,018	123,584	57,691

### 4.25 Provisions and Contingent Liabilities

#### Accounting Policies

##### Provisions

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to any provision is presented in Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are calculated based on the historical experience and the specific terms in the individual cases. The Group arrives at an estimate on the basis of an evaluation of the most likely outcome.

All known provisions have been accounted for in preparing the Financial Statements.

##### Provisions for extended warranty

The Company may offer extended warranties on vehicles on its own account in certain circumstances. The extended warranty is provided by giving a warranty period that goes beyond the warranty provided by manufacturers.

A provision for warranty is recognised when the underlying products are sold. The quantum of the provision is based on the historical experience. The said extended warranty provision will be reversed upon expiration of warranty period.

##### Accounting Estimate

The Management considers likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for extended warranty	20,497	29,062	20,497	29,062
Provisions for warranty	7,853	-	7,853	-
	39,350	40,062	39,350	40,062

##### Contingent liabilities

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured. Further, contingent liabilities are not recognised in Statement of Financial Position but are disclosed unless its occurrence is remote.

Currently the Group/Company is involved in pending litigations and claims arising out of the normal conduct of the business. The Group/Company does not expect the pending litigations and claims, individually and in aggregate, to have a material impact on Group's Financial Position, operating profit or cash flow in addition to amounts accrued as provision for legal disputes. The disclosures relating to contingencies are set out in Note 5.2.

## 4.26 Trade payables

### Accounting Policies

Trade payables are obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Generally trade payables are due within 90 days

### Carrying Value of Trade Payables

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Trade payables	1,981,182	1,208,337	1,882,388	1,129,614

### 4.26.1 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Company as at the year-end was 0.75:1 (2013/14 - 0.70:1). As a liquidity risk management measure, the Group/Company continually compare trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

The trade payables of the Group include an amount of Rs. 911.4 million as bills payable corresponding to goods shipped but not received (Goods-in-transit). At the time of settlement of such bills, the Group will obtain short-term loans to cover the working capital cycle period of the imports.

Unutilised banking facilities are given in Note 4.21.2

## 4.27 Other Current Liabilities

### Accounting Policies

Group classifies all non financial current liabilities under other current liabilities. Other current liabilities include accruals and advances and 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	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Advances received	111,182	12,367	99,886	12,367
Interest payable	5,471	6,568	5,471	6,568
Unclaimed dividend	6,634	6,025	6,634	6,025
Value Added Tax (VAT)	4,400	3,882	-	-
Other payables and accrued expenses	635,206	398,117	548,228	375,513
	762,893	426,959	660,219	400,473

### 4.27.1 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.

## Specific Accounting Policies and Notes

### 4.28 Current Tax Assets and Liabilities

Current tax assets are recognised at historical value less impairment.  
Income tax liabilities are recorded at the amounts expected to be paid.

#### Carrying Value of Current Tax Asset/(Liability)

As at 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Opening balance	86,856	67,081	107,913	102,176
Current tax for the year (Note 4.6)	(152,630)	(67,976)	(105,666)	-
	(65,774)	(895)	2,247	102,176
Tax paid during the year:				
Current tax and withholding tax	67,039	87,751	1,054	5,737
	67,039	87,751	1,054	5,737
Current tax asset	1,265	86,856	3,301	107,913
Made up as follows:				
Current tax asset	3,375	107,913	3,301	107,913
Current tax liability	(2,110)	(21,057)	-	-
	1,265	86,856	3,301	107,913

### 4.29 Amounts Due (to)/ from Subsidiaries

Name of the Company	Dimo (Pvt) Ltd	Dimo Industries (Pvt) Ltd	Dimo Travels (Pvt) Ltd	As at 31.03.2015	As at 31.03.2014
	100%	100%	100%		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance due (to)/from subsidiaries	(225,163)	56,468	(172)	(168,867)	(157,112)
Sale of goods and services	6,626	-	-	6,626	51,356
Purchase of goods and services	(43,445)	-	-	(43,445)	(267,178)
Expenses incurred on behalf of subsidiaries	181,215	1,062	50	182,327	78,347
Fund transfers - net	(15,232)	(38,579)	-	(53,811)	125,720
Closing balance due (to) /from subsidiaries	(95,999)	18,951	(122)	(77,170)	(168,867)

#### 4.29.1 Amounts Due (to)/ from Subsidiaries Comprise with:

As at 31st March	Company	
	2015 Rs'000	2014 Rs'000
Amount due from subsidiaries	18,951	56,468
Amount due to subsidiaries	(96,121)	(225,335)
Amount due (to)/from subsidiaries	(77,170)	(168,867)



## Section 5

### Other Disclosures

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standard.

#### 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', the details of which are reported below:

##### 5.1.1 (a) Transactions with Key Management Personnel (KMPs)

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 Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMPs. 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 KMPs 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 KMPs of the respective subsidiary only.

Compensation to Key Management Personnel of the Company are as follows:

For the year ended 31st March	Group		Company	
	2015 Rs'000	2014 Rs'000	2015 Rs'000	2014 Rs'000
Short-term employment benefits	207,809	173,211	192,236	159,273
Post-employment benefits	41,988	41,434	39,133	39,111
Total compensation applicable to key management personnel	249,797	214,645	231,369	198,384

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 4.22 to the Financial Statements.

##### 5.1.1 (b) The Compensation Paid to Key Management Personnel - (KMPs)

The Executive Directors are entitled to a structured incentive scheme which is linked to performance.

The Company contributes towards a post-employment contribution plan for the Executive Directors. In addition to their salaries, the Company provides non-cash benefits to KMPs.

There are no share-based payments made to the Directors during the year.

No loans were granted to KMPs of the Company.

##### 5.1.1 (c) Transactions with Close Family Members of KMPs

Close family members are defined as spouse or dependant. Dependant is defined as any one 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

## Other Disclosures

### 5.1.2 Transactions with Companies on which Key Management Personnel (KMP) have Control or Significant Influence

There were no transactions with companies on which KMPs have control. The transactions with companies on which KMPs have significant influence are disclosed in 'Directors' Interest in Contract' on page 96.

### 5.1.3 Terms and Conditions of Transactions with the Companies on which KMPs have Control or Significant Influence

Outstanding balances at the year-end relating to the companies on which KMPs 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 2015.

### 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 4.29. The Group has not recorded any impairment for receivables relating to amount owed by Group entities. (2014-Rs. Nil)

## 5.2 Commitments and Contingencies

### Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amount to approximately Rs.1,994.4 million (2013/14 - Rs. 824.2 million).

### Contingencies

#### Guarantees

The contingent liabilities as at 31st March 2015 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 685.7 million (2013/14 - Rs. 753.9 million).

### Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2015 amounted to Rs. 44.2 million (2014 - Rs. 41.2 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.

## 5.3 Comparative Information

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

## 5.4 Events Occurring After the Reporting Period

Subsequent to the reporting date, the Board of Directors of the Company approved a first and final dividend of Rs. 20.00 per share for the year ended 31st March 2015. Details of the above dividend are disclosed in Note 4.8.1 to the Financial Statements.

There were no other material events that occurred after the reporting date that require adjustments to or disclosure in the Financial Statements.

# Appendices

The final section consists of information  
supplementary to the main body of this report.

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## Appendix I

### Share Information

#### 1 Stock Exchange Listing

The issued ordinary shares of Diesel & Motor Engineering PLC, are listed with the Colombo Stock Exchange of Sri Lanka. The audited Group Income Statements for the year ended 31st March 2015 and the audited Balance Sheets at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

#### 2 Shareholders

The number of Shareholders as at 31 st March 2015 was 1,745 (1915 as at 31st March 2014).

No of Shares Held	Resident			Non Resident			Total		
	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%	No of Share holders	Total No of Shares	%
1 - 1,000	1,476	181,668	2.05	32	10,270	0.12	1,508	191,938	2.17
1,001 - 10,000	176	498,055	5.61	4	17,652	0.20	180	515,707	5.81
10,001 - 100,000	40	1,181,337	13.31	1	19,000	0.21	41	1,200,337	13.52
100,001 - 1,000,000	15	5,318,272	59.91	-	-	-	15	5,318,272	59.91
1,000,001 and over	1	1,650,183	18.59	-	-	-	1	1,650,183	18.59
<b>Total</b>	<b>1,708</b>	<b>8,829,515</b>	<b>99.47</b>	<b>37</b>	<b>46,922</b>	<b>0.53</b>	<b>1,745</b>	<b>8,876,437</b>	<b>100.00</b>

Over 99.47% of the shares issued is held by residents of Sri Lanka.

Categories of Shareholders	31st March 2015			31st March 2014		
	No.of Shareholders	No.of shares	%	No.of Shareholders	No.of shares	%
Individuals	1,649	5,506,227	62.03	1,810	5,533,175	62.34
Institutions	96	3,370,210	37.97	105	3,343,262	37.66
<b>Total</b>	<b>1,745</b>	<b>8,876,437</b>	<b>100.00</b>	<b>1,915</b>	<b>8,876,437</b>	<b>100.00</b>

#### 3 Market Value of Shares

The Market value of an ordinary share of Diesel & Motor Engineering PLC (based on the Volume Weighted Average Price) as at 31st March 2015 was Rs.630.00 (Rs.505.00 as at 31st March 2014).

#### 4 Dividend Payment

	2014/15	2013/14
	Rs.	Rs.
Final dividend Rs.20.00 per share (Rs.10.00 per share - 2013/14)	177,528,740	88,764,370

## 5 Share Trading Information from 1st April 2013 to 31st March 2015

	2014/2015		2013/2014	
Highest (Rs.)	730.00	2-Sep-14	649.00	15-May-13
Lowest (Rs.)	485.00	7-Apr-14	450.00	16-Sep-13
Closing (Rs.)	630.00	31-Mar-15	505.00	27-Mar-14
No. of transactions	2,172		2,924	
No. of shares traded	908,207		508,640	
Value of shares traded (Rs.)	547,342,929		259,814,071	

## 6 Public Shareholding

As at 31st March	2015	2014
Number of Shares	4,764,211	4,764,211
%	54	54

## 7 History of Share Issues

Year	Issue	No. of Shares	Price (Rs.)
2011/12	Scrip (one share per every fifty shares held)	174,048	Rs.1,395.00
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
1995/96	Scrip(one share per every three shares held)	1,200,000	Nil
1994/95	Scrip(one share per every five shares held)	600,000	Nil
1992/93	Rights(one share per every five shares held)	500,000	Rs.75.00
1991/92	Rights(one share per every three shares held)	500,000	Rs.30.00
1991/92	Scrip(one share per every four shares held)	500,000	Nil
1989/90	Rights(one share per every two shares held)	500,000	Rs.10.00
1987/88	Scrip(one share per every share held)	500,000	Nil
1980/81	Scrip(one share per every share held)	250,000	Nil

## Share Information

### 8 Changes in Shareholdings of Directors and their Spouses During 2014/2015

Name	Shareholding %	As at 31.03.2015 No. of Shares	Movement of Shares	As at 31.03.2014 No. of Shares
Mr A R Pandithage	21.63	1,919,735	-	1,919,735
Mr S C Algama	6.48	574,779	-	574,779
Mr A G Pandithage	6.43	570,862	-	570,862
Mr A N Algama	2.41	213,739	-	213,739
Mr A M Pandithage	2.53	224,172	-	224,172
	<b>39.48</b>	<b>3,503,287</b>	<b>-</b>	<b>3,503,287</b>

### 9 Top Twenty Shareholders

Name	31st March 2015		31st March 2014	
	Shares	%	Shares	%
Employees Provident Fund	1,650,183	18.59	1,228,303	13.84
Mr. A R Pandithage	991,233	11.17	991,233	11.17
Mrs. J C Pandithage	928,502	10.46	928,502	10.46
A & G Investments Pvt Limited	608,939	6.86	608,939	6.86
Mr. S C Algama	567,786	6.40	567,786	6.40
Mr. A G Pandithage	525,814	5.92	525,814	5.92
Almar Trading Co (Pvt) Ltd	310,875	3.50	310,875	3.50
Mr. A N Algama	213,739	2.41	213,739	2.41
Mr. T G H Peries	193,069	2.18	193,069	2.18
Mr. A M Pandithage	182,319	2.05	182,319	2.05
Dr D. Jayanntha	159,200	1.79	159,200	1.79
Miss T R N C Peries	148,009	1.67	148,009	1.67
Mr. L P Algama	134,569	1.52	134,569	1.52
Deutsche Bank Ag As Trustee For Jb Vantage Value E	123,733	1.39	67,551	0.76
Estate Of The Late Mr.N.U.Algama	118,845	1.34	118,845	1.34
United Motors Lanka PLC	111,640	1.26	111,640	1.26
The Ceylon Guardian Investment Trust PLC A/C # 02	77,873	0.88	77,873	0.88
Mr. M Radhakrishnan	69,788	0.79	69,788	0.79
Almar International (Pvt) Ltd	62,861	0.71	62,861	0.71
The Ceylon Investment PLC A/C # 02	62,556	0.70	62,556	0.70
	<b>7,241,533</b>	<b>81.58</b>	<b>6,763,471</b>	<b>76.20</b>

### 10 The stated capital represents 8,876,437 Ordinary shares.

## Appendix II

### Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
<b>Section 1 :</b>		
<b>A. DIRECTORS</b>		
<b>A.1 THE BOARD</b>		
	Every public company should be headed by an effective Board, which should direct, lead and control the company	
<b>A.1.1</b>	The Board should meet regularly, at least once in every quarter	Board of directors met 6 times during the financial year, at least a once every quarter. 93% attendance was maintained on average. Recent financial and non-financial information was dispersed to directors prior to commencement of each board meeting to effectively execute board responsibilities. Composition of the Board and Board Committees and attendance at Meetings for 2014/2015 is available on page 81.
<b>A.1.2</b>	Board should be responsible for matters including:	
	<ul style="list-style-type: none"> <li>Ensuring the formulation and implementation of a sound business strategy</li> </ul>	The Board provides stewardship, vision and strategic direction to the Group and fosters a culture of integrity, transparency and accountability across the Group. A stakeholder centric approach is adopted in strategy formulation. A review of business, marketing, financial and other strategies and their implementation takes place during the Board meetings. The Board also meets Heads of Business Units at least once a year and discusses and provides direction on matters relating to strategy formulation.
	<ul style="list-style-type: none"> <li>Ensuring that the CEO and the Management Team possess the skills, experience, and knowledge to implement strategy</li> </ul>	<p>The Directors are from diverse backgrounds and bring to bear a wide range of experience and competencies that facilitates the effective discharging of Board responsibilities.</p> <p>The Board ensures that the Chairman/MD, CEO, Executive Directors and the Management team possess the skills to implement the overall strategy.</p> <p>The Board approves all appointments to the Group Management Committee (GMC), which consists of the senior management. The Board takes into consideration the skills and experience of the members prior to their appointments in order to ensure the members suitability to hold the position in the GMC as well as his/her regular position in the managerial capacity of the company.</p> <p>A brief resume of each Director including the Directors who offer themselves for re-election is available in the Directors' profiles on page 21.</p>
	<ul style="list-style-type: none"> <li>Ensuring the adoption of an effective CEO and key management personnel succession strategy</li> </ul>	Succession planning is given due recognition. Effective succession planning is a criterion in the performance appraisals of the key management personnel. The Board, with the assistance of the Nomination Committee, reviews succession plans available for succession of key management personnel.
	<ul style="list-style-type: none"> <li>Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management</li> </ul>	<p>The Board monitors and evaluates risks and performance, approves all important investment decisions and oversee installation of sound internal controls. Measures taken towards an effective internal control system given under D.2.1 of this table.</p> <p>Risk Management framework is set out in the Risk Management Report on page 82.</p> <p>The Board and the GMC reviews any information provided by Business Unit Managers regarding any risks pertaining to the Capitals and the value creation activities.</p>
	<ul style="list-style-type: none"> <li>Ensuring compliance with Laws, regulations and ethical standard</li> </ul>	The Board follows a policy of strict compliance, while compliance reviewed by Audit Committee. Refer page 87, for report of the Audit Committee
	<ul style="list-style-type: none"> <li>Ensuring all stakeholder interests are considered in corporate decisions</li> </ul>	Whilst fulfilling the obligation for increasing shareholder value, the Board has responsibility towards customers, employees, suppliers and the community where it operates, as all of these stakeholders are critical for success of the Company and its operations. The Annual Report extensively covers our interactions with stakeholders. Refer page 27, for stakeholder engagement.
	<ul style="list-style-type: none"> <li>Recognising sustainable business development in corporate strategy, decisions and activities</li> </ul>	The Board recognises the importance of including principles of sustainability in corporate strategy, decisions and activities. The value creation model given on of the Annual Report 2014/15 on page 24, shows the inclusiveness of stakeholders and the environment in the value creation process. As such, sustainable business development is embedded in strategy, decisions and activities. Our purpose (Mission) and the values given bears testimony to our commitment to stakeholders and the environment.
	<ul style="list-style-type: none"> <li>Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations</li> </ul>	The Code of Business Ethics requires compliance with laws, regulations and corporate policies at all times. These ensure that prescribed accounting policies, accounting standards and other regulations are adhered to.
	<ul style="list-style-type: none"> <li>Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned</li> </ul>	The size and the scale of the organisation demands expertise in diverse areas of business at the level of Board of Directors. The Directors bring on board a wide range of skills, knowledge and experience. Expertise in Finance, Engineering, Law and Marketing is available in the present Board. Refer A7, Best practices on page 74.



## Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the country and there should be a procedure agreed by the Board of Directors, to obtain independent professional advice where necessary, at the company's expense.	Stewardship, Trusteeship and Accountability underpins the role of the Board.  In assuming this role, the Board mandates that the Group adheres to the laws of the jurisdictions within which it operates, observing high ethical standards. This is an active, not a passive role played by the Board. The Directors individually and collectively are committed to conducting themselves, upholding the values of fair and good business practices ensuring confidentiality and, fair dealing.  Any Director may obtain independent professional advice that may be required in discharging his/her responsibilities effectively, at company's expense.  Refer A7.1, Regulation framework on page 74.
A.1.4	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.	Members of the Board have unrestricted accesses to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary rests with the Board.
A.1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct.	The Chairman plays a key role in ensuring views of all Directors are sought during Board meetings in order to bring each Director's independent judgment to bear upon matters relating to strategy, performance, resources and business conduct.
A. 1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company, to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. It must be recognised that Directors have to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification, and after a meeting to follow up on issues consequent to the meeting. This should be supplemented by a time allocation for familiarisation with business changes, operations, risks and controls.	The Chairman, Non-Executive and Executive Directors are committed to discharging their duties as Directors of the Company and ensure that adequate time and attention is given to make their contribution effective. The Non-Executive Directors may have follow up meetings with the Chairman, Executive Directors or members of the Group Management Committee to follow up on matters discussed at Board Meetings and provide their expertise.  The Board papers and the agenda received by the Directors ahead of Board Meetings, enabling the Directors to review the papers and obtain clarifications ahead of the meetings. The papers contain financial and non-financial information. The regular Board papers include financial statements, narratives on variances, working capital related reports, reports on compliance with statutory requirements, capital expenditure reports, staff appointments, bank facilities & utilisation and any other report as required.
A. 1.7	Every Director should receive appropriate training when first appointed to the Board of a company, and subsequently as necessary. Training curricula should encompass both general aspects of directorship and matters specific to the particular industry/company concerned. A Director must recognise that there is a need for continuous training and an expansion of the knowledge and skills required to effectively perform his duties as a Director. The Board should regularly review and agree the training and development needs of the Directors.	The Directors are given the opportunity to familiarise and obtain an indepth understanding of the Company's business, its strategy, risks and processes, at their discretion.  Training is provided to Executive Directors to equip themselves to discharge their responsibilities effectively. This includes training provided by principals, external and in-house training.  Directors are briefed on changes in laws and regulations, tax laws and accounting standards from time to time either during Board meetings or at specially convened sessions.
A.2	<b>CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)</b>	
	There are two key tasks at the top of every public company – conducting the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	
A.2.1	A decision to combine the posts of Chairman and CEO in one person should be justified and highlighted in the Annual Report.	The Chairman continues to be the Managing Director of the Company after appointment of Mr. A.G. Pandithage as a CEO with effect from. 01.04.2012. The functions of Chairman and CEO was vested with the same person up to 31.03.2012. The appointment of a CEO with effect from 01.04.2012 will enable sharing of responsibilities of the Chief Executive function.  The presence and involvement of the Senior Independent Director and other Independent Directors ensure that no single individual has unfettered powers of decision-making and provides the basis for prevalence of independent judgment over standards of business conduct. The presence of a Senior Independent Director adds more emphasis to transparency in governance affairs.  The Audit, Nomination and Remuneration Committees are headed by Non-Executive Independent Directors.  The composition of the Board Committees are available in Composition of the Board and Board Committees and attendance at Meetings for 2014/2015 on page 81.  The performance of Chairman/Managing Director and CEO is reviewed by the Non-Executive Directors headed by Senior Independent Director.

Code Ref	Requirement	Compliance with the Code
<b>A.3</b>	<b>CHAIRMAN'S ROLE</b>	
	The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	
<b>A.3.1</b>	<p>The Chairman should conduct Board proceedings in a proper manner and ensure, inter alia, that:</p> <ul style="list-style-type: none"> <li>• the effective participation of both Executive and Non Executive Directors is secured;</li> <li>• all Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company;</li> <li>• a balance of power between Executive and Non Executive Directors is maintained;</li> <li>• the views of Directors on issues under consideration are ascertained; and</li> <li>• the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.</li> </ul>	<p>Board meetings are conducted in an atmosphere that encourages healthy debate by all members of the Board. The Chairman ensures that there is effective participation from all Directors, that their individual contribution and concerns are objectively assessed prior to making key decisions. The Chairman ensures that every Non-Executive Director and Executive Director is provided with an opportunity to present his view on matters discussed and that both Executive and Non-Executive Directors have opportunities for effective participation. He also ensures that the Board is in complete control of the Company's affairs and that decisions made by the Board are implemented.</p> <p>Board members are free to suggest the inclusion of items on the agenda of Board meetings and carry out their duties in the interest of the Company without any undue influence from other parties. The Board members are encouraged to take advantage of a variety of expertise available in the Board in the areas such as finance, marketing, law and engineering in making decisions for the benefit of the Company.</p> <p>The Chairman and the Senior Independent Director satisfies themselves that the information available to the Board is sufficient to make an informed assessment of the company's affairs as well as to discharge their duties to all stakeholders.</p> <p>The attendance details of Directors at Board Meetings are available in Enterprise Governance Report in the Composition of the Board and Board Committees and attendance at Meetings for 2014/2015. Refer A5, Board of Directors &amp; A18, Directors attendance on pages 74 and 81.</p>
<b>A.4</b>	<b>FINANCIAL ACUMEN</b>	
	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	The Board enjoys the services of three qualified Accountants who provide the requisite financial acumen and knowledge on matters of finance. In addition, the Audit Committee has the services of another qualified Accountant who serves as an Independent Consultant.
<b>A.5</b>	<b>BOARD BALANCE</b>	
	It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.	
<b>A.5.1</b>	The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decisions. The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of Directors, whichever is higher. In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	<p>The composition of the Board of Directors meets the number of Non-Executive Directors required by this code and the Listing Rules of the Colombo Stock Exchange. A brief resume of each Director is available on page 21.</p> <p>Four out of ten Directors are Non-Executive Directors.</p>
<b>A.5.2</b>	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be 'independent'. In all other instances two or one third of Non-Executive Directors appointed to the Board of Directors whichever is higher should be 'independent'.	<p>Three out of the four Non-Executive Directors are 'independent', a composition that satisfies the criteria set by the code and the Listing Rules of the Colombo Stock Exchange.</p> <p>The names of independent Non-Executive Directors are as follows.</p> <ol style="list-style-type: none"> <li>1. Mr. R. Seevaratnam</li> <li>2. Dr. H. Cabral</li> <li>3. Prof. U. P. Liyanage</li> </ol>
<b>A.5.3</b>	For a Director to be deemed independent' such Director should be independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.	<p>The Independent Directors match the criteria set by this section. The Board determines the Non-Executive Directors' independence, based on the criteria set out in the code and the declaration submitted by them.</p> <p>The Company maintains the 'Interest Register' required by the Companies Act No. 07 of 2007, which shows details of Directors' interests. Refer</p> <p>A disclosure on related party transactions is available in Note 5.1 to the Financial Statements.</p>
<b>A.5.4</b>	Each Non-Executive Director should submit a signed and dated declaration annually of his independence or non-independence against the specified criteria set out in the Specimen in Schedule J.	The Non-Executive Directors submitted the requisite declaration, which was used for determining the independence of the Independent Directors.

## Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
<b>A.5.5</b>	The Board should make a determination annually as to the independence or non- independence of each Non-Executive Director based on such a declaration made of decided criteria and other information available to the Board, and should set out in the Annual Report the names of Directors determined to be 'independent'. The Board should specify the criteria not met and the basis for its determination in the annual report, if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which indicate the contrary and should set out in the annual report the names of directors determined to be '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 the Non- Executive Directors and as per criteria set out by the Colombo Stock Exchange Listing Rules.  The names of Independent Non-Executive Directors are given on page 21.
<b>A.5.6</b>	Appointment of an alternate director by a non executive independent directors.	No alternative directors were appointed during the year
<b>A.5.7</b>	In the event the Chairman and CEO is the same person, the Board should appoint one of the independent Non-Executive Directors to be the 'Senior Independent Director' (SID) and disclose this appointment in the Annual Report.	Mr. R. Seevaratnam, an independent Non-Executive Director, functions as the Senior Independent Director. The Senior Independent Director presides at Board meetings in the absence of the Chairman.
<b>A.5.8</b>	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns which they believe have not been properly considered by the Board as a whole and which pertain to significant issues that are detrimental to the Company.	The Senior Independent Director is available for confidential discussions, should there be any concerns regarding governance or issues that may adversely affect the Company, inadequately addressed by the Board.  Refer A18, Composition of the board on page 81.
<b>A.5.9</b>	The Chairman should hold meetings with the Non- Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Chairman meets with Non-Executive Directors, without the presence of Executive Directors at least once a year. In addition, the Chairman consults the Independent Directors to obtain their views on matters of importance, as and when the need arises.
<b>A.5.10</b>	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	The Board minutes are prepared by the Company Secretary. In the event of a matter not being unanimously adopted at a Board meeting, the concerns expressed at such situations are recorded in the meeting minutes.  Minutes of the Board meetings are circulated to all Directors and adopted at a subsequent Board meeting.
<b>A.6</b>	<b>SUPPLY OF INFORMATION</b>	
	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	
<b>A.6.1</b>	Management has an obligation to provide the Board with appropriate and timely information, but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings.	A sophisticated management information system is in place and it provides relevant and current information. All Board Members including Non-Executive Directors receive information on the operations and performance of the Company on a monthly basis. This routine helps to eliminate information asymmetry between executive Directors and Non-Executive Directors.  The Chairman ensures that the background is set for discussions at Board Meetings by introducing the subject of discussion, if the Board members were not previously aware of the matter at hand.
<b>A.6.2</b>	The minutes, agenda and papers required for a Board meeting should ordinarily be provided to Directors at least seven (7) days before the meeting, to facilitate its effective conduct.	The Directors are provided with comprehensive data on financial and non-financial information prior to Board meetings in addition to the agenda of the meeting and the minutes of the previous meeting.  Additional information may be requested by any member of the Board as and when required. Directors may also seek any information from the management team on matters discussed at Board meetings that requires follow up.
<b>A.7</b>	<b>APPOINTMENTS TO THE BOARD</b>	
	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
<b>A.7.1</b>	A Nomination Committee should be established to make recommendations to the Board on all new Board appointments. Terms of Reference for Nomination Committees are set out in Schedule A. The Chairman and members of the Nomination Committee should be identified in the Annual Report.	The Board appoints the Directors based on the recommendations of the Nomination Committee. Nominations to the Boards of subsidiary companies and appointments to the Group Management Committee are also made based on the recommendations of the Nomination Committee. Appointments to the Board are made further to careful scrutiny of the required level and range of skills, knowledge, expertise and desired independence. The Committee consults the views of the Chairman/Managing Director, who is also a member of the Nomination Committee, on matters of succession at senior management level.  The Nomination Committee is entitled to obtain professional advice at the Company's expense.

Code Ref	Requirement	Compliance with the Code
		<p>The Nomination Committee has specific terms of references defining its scope and authority.</p> <p>The Committee consists of three Independent Non-Executive Directors, one Non-Executive Director and the Chairman of the Board. The Chairman of the Committee is Dr. H. Cabral, an Independent Director.</p> <p>The composition of the Nomination Committee is as follows,</p> <ol style="list-style-type: none"> <li>1. Mr. A.R. Pandithage</li> <li>2. Mr. R. Seevaratnam</li> <li>3. Dr. H. Cabral</li> <li>4. Dr. U.P. Liyanage</li> <li>5. Mr. A.M. Pandithage</li> </ol> <p>The Report of the Nomination Committee is available on page 89.</p>
A.7.2	The Nomination Committee or in the absence of a Nomination Committee, the Board as a whole should annually assess board-composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessment should be taken into account when new Board appointments are considered and when incumbent Directors come up for re-election.	The Committee's main role is to nominate suitable candidates as and when vacancies occur on the Board. The Committee is responsible for succession planning at Board and Senior Management level and in ensuring smooth management transitions. It reviews the size and structure of the Board on a continuing basis and constantly reviews the balance of skills, knowledge and experience of the Board of Directors. The Committee also reviews the independence of Directors including actual, potential or perceived conflicts of interest.
A.7.3	Upon the appointment of a new Director to the Board, the Company should forthwith disclose to shareholders: <ol style="list-style-type: none"> <li>a) a brief resume of the Director;</li> <li>b) the nature of his expertise in relevant functional area</li> <li>c) the names of companies in which the Director holds Directorship or Membership in Board Committees and</li> <li>d) whether such Director can be considered 'independent'.</li> </ol>	There were no new appointments to the Board of Directors during the year under review. However, new appointments to the Board, if any, are made known to the public through the Colombo Stock Exchange, in compliance with this Section of the Code.
<b>A.8</b>	<b>RE-ELECTION</b>	
	All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1	Non-Executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their reappointment should not be automatic.	In terms of the Articles of Association, one third of the Directors are Non-Executive. Except for the Managing Director, all others retire by rotation and may offer themselves for re-election at the AGM. By virtue of being the Managing Director, the Chairman is not required to make himself available for re-election as per the Articles
A.8.2	All Directors including the Chairman of the Board should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.  The names of Directors submitted for election or re-election should be accompanied by a resume minimally as set out in paragraph A.7.3 above, to enable shareholders to make an informed decision on their election.	<p>The Company's Articles of Association provides any Director appointed by the Board to hold office until the next Annual General Meeting (AGM), and to seek reappointment by the Shareholders at the said AGM.</p> <p>Based on the Articles and the current composition of the Board, a Director excluding the Managing Director has to come forward for re-election, every three years.</p> <p>The names of the Directors coming up for re-election at the AGM 2015 are given in the Notice of Meeting of the Annual Report 2014/15. A brief resume of each Director on page 21.</p>
<b>A.9</b>	<b>APPRAISAL OF BOARD PERFORMANCE</b>	
	Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities as set out in A.1.2.	<p>The effectiveness of the Board is vital to the success of the Group. The Board undertakes a process that appraises its performance in discharging its key responsibilities set out earlier in this table.</p> <p>The methodology of evaluation involves each Board member completing a checklist and providing a rating on each item covered in the checklist involving areas of appraisal. The appraisal covers areas such as;</p> <ul style="list-style-type: none"> <li>• its contribution towards developing, implementing and monitoring of strategy,</li> <li>• communication with stakeholders,</li> <li>• processes involving the Board,</li> <li>• review of its own performance evaluation process and</li> <li>• other areas related to discharging its responsibilities</li> </ul>
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.	

## Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code																																																																								
A.9.3	The Board should state how such performance evaluations have been conducted, in the Annual Report.																																																																									
A.10	DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS																																																																									
	Shareholders should be kept advised of relevant details in respect of Directors.																																																																									
A.10.1	The Annual Report of the Company should set out the following information in relation to each Director:	Refer Directors' profiles, on page 21 and A18, Composition of the board on page 81.																																																																								
	Name, qualifications, brief profile.	Available in the Board of Directors' profile on page 21.																																																																								
	The nature of his expertise in relevant functional areas;	Available in the Board of Directors' profile on page 21.																																																																								
	Immediate family and/or material business relationships with other Directors of the Company;	Mr. A.R. Pandithage, Mr. A.G. Pandithage and Mr. A.M. Pandithage fall within the definition of “close family members” of the Code.																																																																								
	Whether Executive, non-executive and/or independent director	Available in the Board of Directors' profile on page 21.																																																																								
	Names of listed companies in Sri Lanka in which the Director concerned serves as a Director;	Available in the Board of Directors' profile on page 21.																																																																								
	Names of other companies in which the Director concerned serves as a Director, provided that where he holds directorships in companies within a Group of which the Company is a part, their names need not be disclosed; it is sufficient to state that he holds other directorships in such companies;	Available in Board of Directors Profile on page 21.																																																																								
	Number/percentage of Board meetings of the Company attended during the year;	Refer A 18 attendance at meetings on page 81.																																																																								
	Total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity	<table><tr><th colspan="2"></th><th colspan="2">Total No of Board Seats held by each Director in listed Companies(Other than Dima PLC, "company"), in the capacity of</th><th colspan="2">Total No of Board Seats held by each Director in Un-listed Companies in the capacity of</th></tr><tr><th>Name of the Director</th><th>Executive Director</th><th>Non-Executive Director</th><th>Executive Director</th><th>Non-Executive Director</th><th></th></tr><tr><td>A.R. Pandithage</td><td>-</td><td>-</td><td>3</td><td>1</td><td></td></tr><tr><td>A.G. Pandithage</td><td>-</td><td>-</td><td>2</td><td>-</td><td></td></tr><tr><td>A.N. Algama</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td></tr><tr><td>S.C. Algama</td><td>-</td><td>-</td><td>3</td><td>-</td><td></td></tr><tr><td>Dr H. Cabral</td><td>7</td><td>-</td><td>6</td><td>-</td><td></td></tr><tr><td>B.C.S.A.P. Gooneratne</td><td>-</td><td>1</td><td>2</td><td>-</td><td></td></tr><tr><td>Prof. U.P. Liyanage</td><td>-</td><td>6</td><td>-</td><td>-</td><td></td></tr><tr><td>A.M. Pandithage</td><td>12</td><td>1</td><td>126</td><td>11</td><td></td></tr><tr><td>R. Seevaratnam</td><td>-</td><td>6</td><td>-</td><td>9</td><td></td></tr><tr><td>R.C. Weerawardane</td><td>-</td><td>-</td><td>2</td><td>-</td><td></td></tr></table>			Total No of Board Seats held by each Director in listed Companies(Other than Dima PLC, "company"), in the capacity of		Total No of Board Seats held by each Director in Un-listed Companies in the capacity of		Name of the Director	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director		A.R. Pandithage	-	-	3	1		A.G. Pandithage	-	-	2	-		A.N. Algama	-	-	-	-		S.C. Algama	-	-	3	-		Dr H. Cabral	7	-	6	-		B.C.S.A.P. Gooneratne	-	1	2	-		Prof. U.P. Liyanage	-	6	-	-		A.M. Pandithage	12	1	126	11		R. Seevaratnam	-	6	-	9		R.C. Weerawardane	-	-	2	-	
		Total No of Board Seats held by each Director in listed Companies(Other than Dima PLC, "company"), in the capacity of		Total No of Board Seats held by each Director in Un-listed Companies in the capacity of																																																																						
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A.R. Pandithage	-	-	3	1																																																																						
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R.C. Weerawardane	-	-	2	-																																																																						
	Names of Board Committees in which the Director serves as Chairman or a member; and	Composition of the Board and Board Committees and attendance at Meetings for 2014/2015 on page 81.																																																																								
	Number/ percentage of committee meetings attended during the year.	Composition of the Board and Board Committees and attendance at Meetings for 2014/2015 on page 81.																																																																								
A.11	APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)																																																																									
	The Board should be required, at least annually, to assess the performance of the CEO.																																																																									
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the Company, reasonable financial and non-financial targets that should be met by the CEO during the year.	At the commencement of every financial year, the Board in consultation with the Chairman/ Managing Director, CEO and Executive Directors agree on the financial and non-financial targets, based on which the performance of Chairman/Managing Director, CEO and Executive Directors are evaluated.																																																																								
A.11.2	The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstances.	Whilst the performance evaluation of the Chairman/ Managing Director is done by the Non-Executive Directors led by the Senior Independent Director, the performance appraisal of the CEO and Executive Directors will be carried out by the Non- Executive Directors in consultation with the Chairman/Managing Director.																																																																								

Code Ref	Requirement	Compliance with the Code
<b>B</b>	<b>DIRECTORS' REMUNERATION</b>	
<b>B.1</b>	<b>REMUNERATION PROCEDURE</b>	
	Companies should establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.	
<b>B.1.1</b>	To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating Executive Directors. (These also include Post-Employment Benefits as well as Terminal Benefits) Terms of Reference for Remuneration Committees are set out in Schedule C.	<p>The Remuneration Committee is responsible for determining the remuneration policy and the remuneration of the Chairman/Managing Director Chief Executive Officer, Executive Directors and Senior Management.</p> <p>The Board of Directors appoints members to the Remuneration Committee.</p> <p>The Board of Directors has set the terms of reference of the Remuneration Committee.</p> <p>Attendance details of the members of the Remuneration Committee meetings are disclosed in the Enterprise Governance Report on Composition of the Board and Board Committees and attendance at Meetings for 2014/2015 on page 81.</p> <p>Refer the Report of the Remuneration Committee on page 88.</p>
<b>B.1.2</b>	Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board.	<p>The Chairman of the Remuneration Committee, who is appointed by the Board, is an Independent Non-Executive Director.</p> <p>The present Committee consists of three Independent Non- Executive Directors and one Non-Executive Director. The Chairman of the Remuneration Committee is Prof. U.P. Liyanage, an Independent Non-Executive Director. The composition of the Remuneration Committee meets the requirements of the Colombo Stock Exchange Listing Rules.</p>
<b>B.1.3</b>	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	<p>Names of the Chairman and members of the Remuneration Committee are available in the Enterprise Governance Report and Composition of the Board and Board Committees and attendance at Meetings for 2014/2015 of the Annual Report 2014/15.</p> <p>Refer A18, Composition of the board on page 81.</p>
<b>B.1.4</b>	The Board as a whole, or where required by the Articles of Association the shareholders, should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a subcommittee of the Board, which might include the CEO.	The Board of Directors determines the remuneration of Non- Executive Directors. The Non-Executive Directors do not participate in any discussion that involves fixing their remuneration.
<b>B.1.5</b>	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors and have access to professional advice from within and outside the Company, in discharging their responsibilities.	<p>The remuneration of the Executive Directors is recommended by the Remuneration Committee in consultation with the Chairman/Managing Director. No Director is involved in deciding his own remuneration.</p> <p>The Committee is entitled to obtain professional advice at the Company's expense in discharging their responsibilities.</p>
<b>B.2</b>	<b>THE LEVEL AND MAKE UP OF REMUNERATION</b>	
	Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	
<b>B.2.1</b>	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.	<p>The Company's remuneration policy aims to attract and retain high calibre executives by ensuring that their rewards are competitive and linked to both individual and business performance.</p> <p>Whilst recognising the market demands and the contribution of the executives to the overall performance, the Company believes that the remuneration policy should at the same time be in congruence with shareholder interests.</p>
<b>B.2.2</b>	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.	The Remuneration Committee in deciding the remuneration of the Directors takes into consideration the level of remuneration paid by the other comparable companies. By linking the remuneration levels to business and individual performance, the Committee ensures that any increase in the variable part of the remuneration corresponds to better performance. When required, the Remuneration Committee uses remuneration surveys to ascertain market levels of remuneration.
<b>B.2.3</b>	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases.	Same criteria and measures adopted in B.2.2 are used for determination of remuneration of the senior management team, across the Group.

## Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
<b>B.2.4</b>	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	Remuneration of Executive Directors consists of a fixed element as well as a variable element. The variable part (incentive scheme) is based on the performance of the individual as well as the company
<b>B.2.5</b>	Executive share options should not be offered at a discount (i.e. less than market price prevailing at the time the exercise price is determined), save as permitted by the Listing Rules of the Colombo Stock Exchange.	There was no share option scheme in operation during the year under review
<b>B.2.6</b>	In designing schemes of performance related remuneration, Remuneration Committees should follow the provisions set out in Schedule E.	The guideline provided by Schedule E has been followed in determining Directors remuneration.
<b>B.2.7</b>	Remuneration Committee should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committee should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.	The compensation commitments of the Executive Directors are guided by their contracts of employment. This requirement is not applicable to Non-Executive Directors
<b>B.2.8</b>	Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committee should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.	The Board is committed to acting fairly and in accordance with laws of the country, in the event of a termination. There was no termination of services of any Director during the year under review.
<b>B.2.9</b>	Levels of remuneration for Non-Executive Directors should reflect the time commitment and responsibilities of their role, taking into consideration market practices. Remuneration for Non-Executive Directors should not normally include share options. If exceptional options are granted, shareholder approval should be sought in advance and any shares acquired by exercise of the options should be held until at least one year after the Non-Executive Director leaves the Board. Holding share options could be relevant to the determination of a Non- Executive Director's independence.	Non-Executive Directors, provide expert advice to the Board in their capacity as Directors. Time commitments and responsibilities of their role are taken into consideration when remuneration levels of Non- Executive Directors are determined. The Company does not have a share options scheme in operation.
<b>B.3</b>	<b>DISCLOSURE OF REMUNERATION</b>	
	The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole and a specimen of a remuneration committee report followed by schedule D	
<b>B.3.1</b>	The Annual Report should set out the names of Directors (or persons in the Parent Company's committee in the case of a Group company) comprising the Remuneration Committee, contain a Statement of Remuneration Policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.	The names of the members of the Remuneration Committee and attendance at Meetings for 2014/2015 are on pages 81 and 88. The Remuneration Policy is available in the Report of the Remuneration Committee of the Annual Report. Total Directors' emoluments are disclosed in Note 4.5 to the Financial Statements.
<b>C</b>	<b>RELATIONS WITH SHAREHOLDERS</b>	
<b>C.1</b>	<b>CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS</b>	
	Boards should use the AGM to communicate with shareholders and should encourage their participation.	
<b>C.1.1</b>	Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution and withheld, after it has been dealt with on a show of hands, except where a poll is called.	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Chairman makes an announcement of the proxies received, at the commencement of a General Meeting.
<b>C.1.2</b>	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.	The Company proposes a separate resolution at the AGM on each substantial separate issue, including the adoption of the Financial Statements. The Agenda for the AGM is given in the Notice of Meeting of the Annual Report 2014/15.



Code Ref	Requirement	Compliance with the Code
C.1.3	The Chairman of the Board should arrange for the Chairmen of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.	The Annual General Meeting provides a forum for shareholders to raise any queries. The Chairmen of the Audit, Remuneration and Nomination Committees are usually present at the Annual General Meeting
C.1.4	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	The Notice of Meeting and related documents are dispatched to the shareholders 15 working days prior to the AGM, as per Section 135 of the Companies Act No.07 of 2007
C.1.5	Companies should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	The Notice of Meeting outlines the procedure relating to voting at the Annual General Meeting. Every shareholder is entitled to one vote per share at a poll
<b>C.2</b>	<b>COMMUNICATION WITH SHAREHOLDERS</b>	
	The board should implement effective communication with Shareholders	
C. 2. 1	There should be a channel to reach all Shareholders of the Company in order to disseminate timely information	The Company uses many channels to reach the shareholders in order to disseminate timely information. These include the Annual General Meeting, the Annual Report, Quarterly Financial Statements, Corporate Disclosures to the CSE and the Corporate Website
C. 2. 2	The Company should disclose the policy and methodology for communication with Shareholders	The Company's policy pertaining to the communication with shareholders involves the sharing of all financial and non-financial information as per the applicable statutory and regulatory requirements and best practices adopted by the Company. The methodology of communication with shareholders is multi-faceted to ensure the accuracy of information disseminated and the timeliness of dissemination
C. 2.3	The Company should disclose how they implement the above Policy and methodology	The implementation of the policy and the methodology is done through the adoption of the above mentioned channels of communication
C. 2. 4	The Company should disclose the contact person for such communication	The contact person for shareholder communication is the Company Secretary
C. 2. 5	There should be a process to make all Directors aware of major issues and concerns of shareholders, and this process has to be disclosed by the Company	Major issues and concerns of shareholders, if any, are discussed at Board Meetings. There were no such concerns expressed by shareholders that warranted consideration at a Board Meeting
C. 2. 6	The Company should decide the person to contact in relation to Shareholder's matters. The relevant person with statutory responsibilities to contact in relation to Shareholder's matters is the Company Secretary or in his absence should be a member of the board of Directors.	The Contact Person in relation to all matters pertaining to the Shareholders is the Company Secretary
C. 2. 7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	Appropriate responses formulated and actions taken to address shareholder concerns by the Board and the Management are communicated to the shareholders by the Company Secretary. The most suitable and expeditious method of communication would be determined by the Company Secretary
<b>C.3</b>	<b>MAJOR AND MATERIAL TRANSACTIONS</b>	
	Further to compliance with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.	
C.3.1	Prior to a Company engaging in or committing to a 'Major related party transaction' with a related party, involving the acquisition, sale or disposition of greater than one third of the value of the Company's assets or that of a subsidiary which has a material bearing on the Company and/or consolidated net assets of the Company, or a transaction which has or is likely to have the effect of the Company acquiring obligations and liabilities, of greater than one third of the value of the Company's assets, Director's should disclose to Shareholders the purpose and all material facts of such transaction and obtain shareholder's approval; by ordinary resolution at an extraordinary general meeting.  It also applies to transactions or series of related transactions which have the purpose or effect of substantially altering the nature of the business carried on by the Company.	There was no transaction during the year that fell within the definition of a major transaction defined by Section 185 of the Companies Act No. 07 of 2007. There were also no transactions during the year under review that would suggest a substantial alteration in the nature of the business carried out by the Company.

## Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code												
D	ACCOUNTABILITY AND AUDIT													
D.1	FINANCIAL REPORTING													
	The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.													
D.1.1	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	<p>In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the;</p> <ul style="list-style-type: none"><li>• Companies act No. 07 of 2007,</li><li>• Sri Lanka Accounting Standards and</li><li>• Listing Rules of the Colombo Stock Exchange.</li></ul> <p>The annual and interim Financial Statements are published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p> <p>Given below is a table containing the dates on which the Annual and Interim Financial Statements were uploaded to the CSE web site/dispatched to the shareholders during the year under review.</p> <table><tr><th>Interim / Annual Report</th><th>Status</th></tr><tr><td>Annual Report for the year ended 31st March 2014</td><td>Compliant</td></tr><tr><td>1st Quarter</td><td>Compliant</td></tr><tr><td>2nd Quarter</td><td>Compliant</td></tr><tr><td>3rd Quarter</td><td>Compliant</td></tr><tr><td>4th Quarter</td><td>Compliant</td></tr></table>	Interim / Annual Report	Status	Annual Report for the year ended 31st March 2014	Compliant	1st Quarter	Compliant	2nd Quarter	Compliant	3rd Quarter	Compliant	4th Quarter	Compliant
Interim / Annual Report	Status													
Annual Report for the year ended 31st March 2014	Compliant													
1st Quarter	Compliant													
2nd Quarter	Compliant													
3rd Quarter	Compliant													
4th Quarter	Compliant													
D.1.2	<p>The Directors' Report, which forms part of the Annual Report, should contain declarations by the Directors to the effect that:</p> <ul style="list-style-type: none"><li>• the Company has not engaged in any activity, which contravenes laws and regulations;</li><li>• the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;</li><li>• the Company has made all endeavours to ensure the equitable treatment of shareholders;</li><li>• the business is a going concern, with supporting assumptions or qualifications as necessary; and</li><li>• They have conducted a review of the internal controls, covering financial, operational and compliance controls and risk management, and have obtained reasonable assurance of their effectiveness and successful adherence therewith, and, if it is unable to make any of these declarations, to explain why it is unable to do so.</li></ul>	<p>The Annual Report contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report contain a Report on Internal Control.</p>												
D.1.3	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Controls.	Refer Board of Directors, Statements on Internal controls on page 97.												
D.1.4	<p>The Annual Report should contain a 'Management Discussion &amp; Analysis', discussing, among other issues:</p> <ul style="list-style-type: none"><li>• industry structure and developments;</li><li>• opportunities and threats;</li><li>• risks and concerns;</li><li>• internal control systems and their adequacy</li><li>• social and environmental protection activities carried out by the Company;</li><li>• financial performance;</li><li>• material developments in human resource / industrial relations; and</li><li>• Prospects for the future.</li></ul>	<p>The Board endeavours to present a balanced and an objective assessment of the Company's position, performance and prospects.</p> <p>Information required by this section is included in the Annual Report 2014/15</p>												

Code Ref	Requirement	Compliance with the Code
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. The matters to which the Board should give due consideration when adopting the going concern assumptions are set out in Schedule G to this Code.	Information on the Board's determination of the entity as a going concern is included in the Annual Report of the Board of Directors. Refer Annual Report of the Board of Directors on page 93.
D.1.6	In the event, the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the Company to notify shareholders of the position and of remedial action being taken.	This situation did not arise during the financial year under review
D.1.7	The Board should adequately and accurately disclose the related party transactions in its Annual Report: <ul style="list-style-type: none"> <li>Each related party should submit signed and dated declaration quarterly mentioning whether they have related party transactions with the Company as defined in this code.</li> <li>It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly;</li> <li>There should be a process to capture related parties and related party transactions. This process needs to be operationalised and related party transactions should be properly documented. Further, a report should be presented by the Audit committee to the Board on identified related parties and related party transactions on a regular basis;</li> <li>A record/register either in hand or soft form on related party and related party transaction should be maintained by the company;</li> <li>This record should ensure that the Company captures information to comply with the respective related party disclosure requirements imposed by SEC/ Accounting standards/ Auditing standards and similar regulations.</li> </ul>	Detail disclosure is made in the annual report. Refer Related Party Disclosure and Directors' Interest in Contract with the Company on page 139 and 96 respectively.
<b>D.2</b>	<b>INTERNAL CONTROL</b>	
	Board of Directors and management, designed to provide reasonable assurance regarding the achievement of Company's objectives.	
D.2.1	The Directors should, at least annually, conduct a review of the risks facing the company and the effectiveness of the system of internal controls, so as to be able to report to shareholders as required in D.1.3. This could be made the responsibility of the Audit Committee.	<p>The Board has the overall responsibility for maintaining the systems of internal control of the Company and for monitoring their effectiveness, which has been delegated to the Audit Committee, whilst the implementation of internal control systems is the responsibility of the Group Management Committee. The Group's systems of internal control are designed to manage rather than eliminate the risk of failure in achieving the business objectives. It can also provide a reasonable assurance against material financial misstatement or loss.</p> <p>The Audit Committee is responsible for reviewing the financial reporting system and Financial Statements, to be published, including compliance with relevant accounting standards, laws and company policies, and also for reviewing the effectiveness of the internal audit function.</p> <p>The Group Management Committee is expected to implement an effective system of internal control that addresses the following:</p> <ul style="list-style-type: none"> <li>Safeguarding of assets</li> <li>Maintaining proper accounting records</li> <li>Providing reliable financial information</li> <li>Identifying and managing business risks</li> <li>Compliance with legislation and regulation</li> <li>Early detection of instances of non-compliance</li> <li>Identification and adoption of best practices</li> </ul> <p>The adequacy and effectiveness of the internal control system is reviewed by the Audit Committee with the Group Internal Auditor. During the Audit Committee meetings, Internal Auditors are invited to present their internal audit findings.</p>

## Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
<b>D.2.2</b>	Companies Should have an Internal Audit function	<p>The Company has outsourced the internal audit function, which has enhanced the independence required by the function. The Group Internal Auditor is an employee of the Company. The position was vacated as at 31st March 2015.</p> <p>The internal audit plan is agreed with the Internal Auditors at the beginning of each financial year by the Audit Committee. However, the Internal Auditors are allowed the freedom to carry out any additional tasks they consider necessary.</p> <p>The Audit Committee met the Internal Auditors at regular intervals during the financial year to discuss the internal audit findings and to discuss effectiveness of internal controls and identify the levels of risk carried by the areas reviewed by the Internal Auditors. The Audit Committee also reviewed the fees paid to Internal Auditors.</p>
<b>D.2.3</b>	The board should require the Audit committee to carry out reviews of the process and effectiveness of risk management and internal controls, and to document to the Board and Board takes the responsibility for the disclosures on Internal Controls.	The role played by the Audit Committee in the Risk Management process is given in the Report of the Audit Committee and the Risk Management Report on pages 87 and 82.
<b>D.2.4</b>	The Schedule K to this document contains guidance on the responsibilities of Director's in maintaining a sound system of internal control and the contents of the Statement of Internal Control.	The role of the Board and Audit Committee on implementation and maintenance of a sound system of internal controls are explained in the Annual Report
<b>D.3</b>	<b>AUDIT COMMITTEE</b>	
	The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.	
<b>D.3.1</b>	<p>The Audit Committee should be comprised of a minimum of two independent Non-Executive Directors (in instances where a company has only two directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher.</p> <p>The Chairman of the Committee should be a Non- Executive Director, appointed by the Board.</p>	<p>The Board of Directors appoints members to the Audit Committee. The present committee consists of three Independent Non-Executive Directors and one Non-Executive Director. The Chairman of the Committee is Mr. R. Seevaratnam, an experienced Chartered Accountant, who is also the Senior Independent Director. The composition of the Audit Committee meets the requirements of the CSE Listing Rules.</p> <p>The composition of the Audit Committee is available in the table appearing Composition of the Board and Board Committees and attendance at Meetings for 2014/2015 of the Enterprise Governance report appearing in the Annual Report 2014/15. Mr. H.M.A. Jayasinghe, who has previously served on the Board and as the Chairman of the Audit Committee, functions as an Independent Consultant to the Committee offering valuable insights.</p>
<b>D.3.2</b>	The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance objectivity, independence and value for money	<p>The Audit Committee is a subcommittee of the Board and its main purpose is to assist the Board in the effective discharge of its responsibilities on financial reporting, risk management and corporate control. It assists the Board in monitoring compliance with applicable laws and other regulatory requirements.</p> <p>The Audit Committee plays a key role in reviewing the effectiveness of the internal control system. The methods by which the Audit Committee satisfies itself that it is operating effectively are given below:</p> <ul style="list-style-type: none"> <li>• Clear Organisational structures with assigned responsibilities and set objectives;</li> <li>• Representations from Executive Management;</li> <li>• Budgetary Control;</li> <li>• Approval Procedures for Capital Expenditure and Investments;</li> <li>• Review of information called for Board meetings;</li> <li>• Discussions with External &amp; Internal Auditors;</li> <li>• Review of Internal Audit Programmes and Reports;</li> <li>• Code of Ethics and</li> <li>• Assessment of situations of potential conflict of interest, if any.</li> </ul> <p>The Audit Committee makes recommendations with regard to appointments of Independent Auditors. The Audit Committee may, if so required, recommend to the Board, removal of Auditors. The Committee also evaluates the performance of Independent Auditors, reviews the terms of engagement and fees of the Auditors, for the audit. The Committee also reviewed fees paid to Independent Auditors on account of audit related services and non-audit services. Based on the provisions of Section 3 of the Guideline for Appointment of Auditors of Listed Companies, issued by the Securities and Exchange Commission of Sri Lanka, the Audit Committee determined that the independent Auditors possess the required independence to be the Auditors of the Company. The Audit Committee met the independent Auditors prior to recommendation of Financial Statements to the Board.</p> <p>The Audit Committee encourages the independent Auditors to communicate with the Internal Auditors.</p>

Code Ref	Requirement	Compliance with the Code
D.3.3	The Audit Committee should have a written Terms of Reference, dealing clearly with its authority and duties. (As referred to in the Code) Detailed guidance on the scope and functions of the Audit Committee can be found in the Code of Best Practice on Audit Committees issued by The Institute of Chartered Accountants of Sri Lanka in 2002.	Terms of Reference of the Committee clearly sets out its responsibilities and authority. The Board also considered the Code of Best Practice on Audit Committees of The Institute of Chartered Accountants of Sri Lanka in defining the terms of reference for the Audit Committee.
<b>D.3.4</b>	<b>DISCLOSURES</b>	
	The names of Directors (persons in the Parent Company's committee in the case of a group company) comprising the Audit Committee should be disclosed in the Annual Report. The Committee should also make a determination of the independence of the Auditors and should disclose the basis of such determination in the Annual Report. The Annual Report should contain a report by the Audit Committee, setting out the manner of compliance by the Company, in relation to the above, during the period to which the Annual Report relates.	The names of the members of the Audit Committee, Committee meetings held and the attendance of members are available on the Composition of the Board and Board Committees and attendance at Meetings for 2014/2015. Refer page 81.  The basis of determination of the independence of Auditors is given under the response to D.3.2. The Chairman/Managing Director/ Chief Executive Officer, and the Director/Chief Financial Officer attend Audit Committee meetings, unless otherwise determined by the Audit Committee. Any member of the Board may attend the Committee meetings by invitation.  The Report of the Audit Committee is available on page 87.
<b>D.4</b>	<b>CODE OF BUSINESS CONDUCT &amp; ETHICS</b>	
	Companies must adopt a Code of Business Conduct and Ethics for Directors, and Key Management personnel and must promptly disclose any waivers of the Code for Directors or others.	
D.4.1	All companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and members of the Key management personnel and if they have such a Code, make an affirmative declaration in the Annual Report that all Directors and Key management personnel have complied with such Code, and if unable to make that declaration, state why they are unable to do so. Each Company may determine its own policies in the formulation of such a Code, but all Companies should address the following important topics in their respective Codes: <ul style="list-style-type: none"> <li>• bribery and corruption;</li> <li>• entertainment and gifts;</li> <li>• accurate accounting and record-keeping;</li> <li>• corporate opportunities;</li> <li>• confidentiality;</li> <li>• fair dealing;</li> <li>• protection and proper use of company assets;</li> <li>• compliance with laws, rules and regulations (including insider trading laws); and</li> <li>• Encouraging the reporting of any illegal or unethical behaviour.</li> </ul> These aspects are expanded on, in Schedule I.	The Company has a Code of Ethics applicable to Directors and employees of the Company. The areas covered in the Code of Ethics include proprietary information, conflict of interest, benefits from third parties, accurate books of account, usage of company property for personal use, illegal acquisition of competitor information, insider trading, protection of environment & natural resources and gender equity. Compliance with laws and regulations is a strict requirement for Directors and all employees.  There were no reported cases of non-compliance to, Code of Business Ethics by any Director / Key management personnel.
D.4.2	The Chairman must affirm in the Company's Annual Report that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Please refer the Chairman's Statement on page 12.
<b>D.5</b>	<b>CORPORATE GOVERNANCE DISCLOSURES</b>	
	Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report, setting out the manner and extent to which the Company has complied with the principles and provisions of this Code.	The Annual Report 2014/15 contains an Enterprise Governance Report. The contents of this table deals with the extent to which established principles of good Corporate Governance have been adhered to and the requirements of the Code of Best Practices on Corporate Governance issued by the SEC and ICASL have been complied with.  The Company has implemented the regulations of the Section 7.10 of the Listing Rules of Colombo Stock Exchange on Corporate Governance. Refer page 79.

## Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
<b>SECTION 2</b>		
<b>SHAREHOLDERS</b>		
<b>E INSTITUTIONAL INVESTORS</b>		
<b>E.1 SHAREHOLDER VOTING</b>		
	Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	
<b>E.1.1</b>	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	The Annual General Meeting provides the forum for shareholders to express their views. The Chairman ensures that any views expressed by investors to him personally or at General Meetings are discussed with the Board. The Directors consider it important to understand the views of shareholders and, in particular, any issues which concern them.
<b>E.2 EVALUATION OF GOVERNANCE DISCLOSURES</b>		
	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	The Annual Report and this table contain the Company's governance arrangements. Institutional Investors are at liberty to provide any feedback on the governance arrangements.
<b>F OTHER INVESTORS</b>		
<b>F.1 INVESTING/ DIVESTING DECISION</b>		
	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	The Company's communications with the shareholders, including the Annual Report, provides information that enables shareholders to make informed judgments or to seek advice on their investment decisions. The extensive nature of the information given would facilitate the shareholders in carrying out adequate analysis when making their decisions.
<b>F.2 SHAREHOLDER VOTING</b>		
	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	The shareholders are encouraged to participate at General Meetings and cast their votes. Instructions with regard to appointing a proxy and the manner in which a Proxy Form should be completed are available in the Proxy Form circulated with the Annual Report
<b>G SUSTAINABILITY REPORTING</b>		
	Sustainability is a business approach that creates long term stakeholder value by embracing opportunities and managing risks derived from economic, environmental and social developments and their potential implications and impacts on the business activities of the entity. Sustainability reporting is the practice of recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of overall business activities and strategy of the entity and be directed to the target stakeholders, usually, shareholders, employees, consumers, society and government.	Sustainability reporting is the practice of recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity and be directed to the target stakeholders, usually, shareholders, employees, consumers, society and Government
<b>G.1.1</b>	Economic sustainability The principle of economic sustainability governance recognises how organisations take responsibility for impacts of their strategies, decisions, and activities on economic performance and corporate citizenship in their sphere of influence (including geographic) and how this is integrated throughout the organisation.	Please refer Value Creation Model from page 24.
<b>G.1.2</b>	The Environment Environmental Governance of an organisation should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities, including pollution prevention, sustainable resource use, climate change, protection of environment, bio-diversity and restoration of national resources.	Please refer Environmental Impact from page 61.
<b>G.1.3</b>	Labour practice Labour practices governance of an organisation encompass all policies and practices relating to work performed by or on behalf of the organisation.	Please refer Human Capital from page 44.

Code Ref	Requirement	Compliance with the Code
G.1.4	<p>Society</p> <p>Society governance encompass support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community involvement.</p>	Please refer Social Impact from page 67.
G.1.5	<p>Product Responsibility</p> <p>Product responsibility Governance includes manufacturing quality products and distributing them and ensuring that the products are safe for the consumers and the environment and also communicating clearly with consumers so that they can make an informed choice including factual unbiased information and fair contractual practices and consumer data protection and privacy.</p>	Please refer Relationship Capital - Customers from page 40.
G.1.6	<p>Stakeholder identification, engagement and effective communication Internal and external stakeholder groups should be identified in relation to the Company's sphere of influence, impact and implication. Communications should be proactive and transparent. The communication with stakeholders should include reporting on economic, social and environmental issues and be relevant, material, comparable with past performance and should be well presented focusing on substance over form.</p>	Please refer Stakeholder Engagement from page 27.
G.1.7	<p>Sustainable reporting and disclosure should be formalised as part of the company's reporting processes and take place on a regular basis</p> <ul style="list-style-type: none"> <li>• Sustainable reporting is a Board responsibility and it is designed to add value by providing a credible account of the company's economic, social and environmental impact.</li> <li>• Sustainable reporting should link sustainable issues more closely to strategy.</li> <li>• Sustainability reporting may be built on a number of different guidelines</li> </ul>	<p>The Annual Report 2014/15, together with the GRI content Index and key information relating to sustainability available on the Company's website is prepared "In accordance" - Comprehensive of Global Reporting Initiatives (GRI) – G4 guidelines.</p> <p>An independent assurance statement on nonfinancial information reported is available on page 164.</p>



## Appendix III

### GRI Content Index for 'In accordance' - Comprehensive



#### GRI Content Index for 'In accordance' - Comprehensive

General Standard Disclosures	Page Number (or Link)	Identified Omission(s)	External Assurance	UNGC 10 Principles
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.	
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>STRATEGY AND ANALYSIS</b>				
G4- 1	page 12		yes, 164 - 166	1-10
G4- 2	page 12		yes, 164 - 166	
	page 16		yes, 164 - 166	
	page 70		yes, 164 - 166	
	page 82			
<b>ORGANISATION PROFILE</b>				
G4- 3	page 168		yes, 164 - 166	
G4- 4	page 52		yes, 164 - 166	
G4- 5	page 168		yes, 164 - 166	
G4- 6	page 10		yes, 164 - 166	
G4- 7	page 168		yes, 164 - 166	
G4- 8	page 52		yes, 164 - 166	
G4- 9	page 45		yes, 164 - 166	
G4- 10	page 45, <a href="http://www.dimolanka.com/sustainability-performance">www.dimolanka.com/sustainability-performance</a>		yes, 164 - 166	
G4- 11	<a href="http://www.dimolanka.com/sustainability-performance">www.dimolanka.com/sustainability-performance</a>		yes, 164 - 166	
G4- 12	page 24		yes, 164 - 166	
G4- 13	page 10		yes, 164 - 166	
G4- 14	page 10		yes, 164 - 166	
G4- 15	page 10		yes, 164 - 166	
G4- 16	page 68		yes, 164 - 166	
<b>IDENTIFIED MATERIAL ASPECT AND BOUNDARIES</b>				
G4- 17	page 7, page 10		yes, 164 - 166	
G4- 18	page 10, page 27, page 29		yes, 164 - 166	
G4- 19	page 27, page 29		yes, 164 - 166	
G4- 20	page 10, page 27, page 29		yes, 164 - 166	
G4- 21	page 10, page 27, page 29		yes, 164 - 166	
G4- 22	page 10		yes, 164 - 166	
G4- 23	page 10		yes, 164 - 166	
<b>STAKEHOLDER ENGAGEMENT</b>				
G4- 24	page 27-28		yes, 164 - 166	
G4- 25	page 27		yes, 164 - 166	
G4- 26	page 28		yes, 164 - 166	
G4- 27	page 30		yes, 164 - 166	
<b>REPORT PROFILE</b>				
G4- 28	page 10		yes, 164 - 166	
G4- 29	page 10		yes, 164 - 166	
G4- 30	page 10		yes, 164 - 166	
G4- 31	page 168		yes, 164 - 166	
G4- 32	page 10, page 164-166		yes, 164 - 166	
G4- 33	page 10, page 164-166		yes, 164 - 166	
<b>GOVERNANCE</b>				
G4- 34	page 73, page 146		yes, 164 - 166	1-10
G4- 35	page 73		yes, 164 - 166	
G4- 36	page 73		yes, 164 - 166	
G4- 37	page 24, page 146		yes, 164 - 166	
G4- 38	page 21, <a href="http://www.dimolanka.com/sustainability-performance">www.dimolanka.com/sustainability-performance</a>		yes, 164 - 166	
G4- 39	page 149		yes, 164 - 166	

G4- 40	page 89		yes, 164 - 166
G4- 41	page 88, page 145		yes, 164 - 166
G4- 42	page 147		yes, 164 - 166
G4- 43	page 147		yes, 164 - 166
G4- 44	page 70, page 82		yes, 164 - 166
G4- 45	page 24, page 73, page 153		yes, 164 - 166
G4- 46	page 73, page 82		yes, 164 - 166
G4- 47	page 73, page 82		yes, 164 - 166
G4- 48	page 10		yes, 164 - 166
G4- 49	page 73		yes, 164 - 166
G4- 50	page 73		yes, 164 - 166
G4- 51	page 88		yes, 164 - 166
G4- 52	page 88		yes, 164 - 166
G4- 53	page 44, page 88		yes, 164 - 166
G4- 54		Not disclosed due to confidentiality constraints arising from the market sensitivity of the data.	yes, 164 - 166
G4- 55		Not disclosed due to confidentiality constraints arising from the market sensitivity of the data.	yes, 164 - 166
<b>ETHIC AND INTEGRITY</b>			
G4- 56	page 67 - 68		yes, 164 - 166
G4- 57	page 67 - 68		yes, 164 - 166
G4- 58	page 67 - 68		yes, 164 - 166

## Specific Standard Disclosure

General Standard Disclosures	Page Number (or Link)	Identified Omission(s)	External Assurance	UNGC 10 Principles
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.	
<b>CATEGORY: ECONOMIC</b>				
<b>MATERIAL ASPECT : ECONOMIC PERFORMANCE</b>				
G4-DMA				
G4- EC1	page 60		yes, 164 - 166	
G4- EC2		We are processing and analysing risks relating to climate changes	yes, 164 - 166	
G4- EC3	page132		yes, 164 - 166	
G4- EC4	None		yes, 164 - 166	
<b>MATERIAL ASPECT : INDIRECT ECONOMIC IMPACTS</b>				
G4-DMA	page 67-69		yes, 164 - 166	
G4- EC7	page 67-69		yes, 164 - 166	
G4- EC8	page 67-69		yes, 164 - 166	
<b>MATERIAL ASPECT : PROCUREMENT PRACTICES</b>				10
G4-DMA	page 43		yes, 164 - 166	
G4- EC9	page 43		yes, 164 - 166	
<b>CATEGORY: ENVIRONMENTAL</b>				8
<b>MATERIAL ASPECT : MATERIALS</b>				7,8,9
G4-DMA	page 43		yes, 164 - 166	
G4- EN1	page 43		yes, 164 - 166	
G4- EN2	page 43		yes, 164 - 166	

## GRI Content Index for 'In accordance' - Comprehensive

<b>MATERIAL ASPECT : ENERGY</b>			
G4-DMA	page 63 - 64	yes, 164 - 166	
G4- EN3	page 64, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN4	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN5	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN6	page 64, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN7	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT : WATER</b>			
G4-DMA	page 64 - 65	yes, 164 - 166	
G4- EN8	page 64 - 65	yes, 164 - 166	
G4- EN9	page 64 - 65, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN10	page 64 - 65, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT : EMISSION</b>			8
G4-DMA	page 61 - 62	yes, 164 - 166	
G4- EN15	page 61 - 62, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN16	page 61 - 62, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN17	page 61 - 62, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN18	page 61	yes, 164 - 166	7,8,9
G4- EN19	page 63	yes, 164 - 166	
G4- EN20	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN21	page 63	yes, 164 - 166	
<b>MATERIAL ASPECT : EFFLUENT &amp; WASTE</b>			
G4-DMA	page 65-66	yes, 164 - 166	8
G4- EN22	www.dimolanka.com/sustainability-performance	yes, 164 - 166	8
G4- EN23	www.dimolanka.com/sustainability-performance	yes, 164 - 166	8
G4- EN24	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT: COMPLIANCE</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- EN30		yes, 164 - 166	8
<b>MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCES MECHANISMS</b>			
G4-DMA	page 61	yes, 164 - 166	
G4-EN34	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>CATEGORY: SOCIAL</b>			
<b>SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK</b>			1,3,6
G4-DMA	page 44	yes, 164 - 166	
G4- LA1	page 45, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA2	page 45, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA3	page 45, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT : OCCUPATIONAL HEALTH AND SAFETY</b>			
G4-DMA	page 47 - 48	yes, 164 - 166	
G4- LA5	page 47 - 48	yes, 164 - 166	
G4- LA6	page 48	yes, 164 - 166	
G4- LA7	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA8	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT : TRAINING AND EDUCATION</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA9	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA10	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA11	www.dimolanka.com/sustainability-performance	yes, 164 - 166	

<b>MATERIAL ASPECT : SUPPLIER ASSESSMENT OF LABOUR PRACTICES</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA14	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA15	We expect to conduct an audit against supplier code	We expect to conduct an audit against supplier code	yes, 164 - 166
<b>MATERIAL ASPECT : LABOUR PRACTICE GRIEVANCE MECHANISMS</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- LA16	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>SUB-CATEGORY: HUMAN RIGHTS</b>			1,2,3,4,5,6
<b>MATERIAL ASPECT : Non-discrimination</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- HR3	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT: HUMAN RIGHT GRIEVANCE MECHANISMS</b>			yes, 164 - 166
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4-HR12	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>SUB-CATEGORY: SOCIETY</b>			
<b>MATERIAL ASPECT : LOCAL COMMUNITIES</b>		yes, 164 - 166	
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- S01	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- S02	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT : ANTI-CORRUPTION</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	10
G4- S03	www.dimolanka.com/sustainability-performance	yes, 164 - 166	10
G4- S04	www.dimolanka.com/sustainability-performance	yes, 164 - 166	10
G4- S05	www.dimolanka.com/sustainability-performance	yes, 164 - 166	10
<b>MATERIAL ASPECT : COMPLIANCE</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- S08	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>		yes, 164 - 166	
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4-S011	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>SUB-CATEGORY: PRODUCT RESPONSIBILITY</b>			
<b>MATERIAL ASPECT : CUSTOMER HEALTH &amp; SAFETY</b>			
G4-DMA	page 41,	yes, 164 - 166	
G4-PR1	page 41, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4-PR2	page 41, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT : PRODUCT &amp; SERVICE LABELLING</b>			1
G4-DMA	page 41,	yes, 164 - 166	
G4-PR3	page 41, www.dimolanka.com/sustainability-performance	yes, 164 - 166	8
G4-PR4	page 41, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4-PR5	page 41, www.dimolanka.com/sustainability-performance	yes, 164 - 166	
<b>MATERIAL ASPECT : MARKETING COMMUNICATION</b>			
G4-DMA	page 41,	yes, 164 - 166	
G4-PR6	page 41,	yes, 164 - 166	
G4-PR7	page 41,	yes, 164 - 166	
<b>ASPECT : CUSTOMER PRIVACY</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4-PR8	www.dimolanka.com/sustainability-performance	yes, 164 - 166	1
<b>MATERIAL ASPECT : COMPLIANCE</b>			
G4-DMA	www.dimolanka.com/sustainability-performance	yes, 164 - 166	
G4- PR9	www.dimolanka.com/sustainability-performance	yes, 164 - 166	

## Appendix IV

### Independent Assurance Statement on Non-Financial Reporting

**DNV·GL**

#### Introduction

DNV GL represented by DNV Business Assurance Lanka (Private) Limited has been commissioned by the management of Diesel and Motor Engineering PLC ('DIMO' or 'the Company') to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial - qualitative and quantitative information (sustainability performance) reported in the Company's Annual Report 2014/15 ('the Report') in its printed and online formats ('printed and web based Report') against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 4 (GRI G4) and prepared in line with the 'in accordance' - Comprehensive option of these guidelines. This engagement focused on verification of non-financial - qualitative and quantitative information (sustainability performance) disclosed in the Report, and underlying management system and reporting processes. The engagement was carried out against AccountAbility's AA1000 Assurance Standard 2008 (AA 1000AS), the DNV GL Protocol for Verification of Sustainability Reporting ('VeriSustain' - [www.dnvgl.com/cr](http://www.dnvgl.com/cr); available on request) including confirmation of 'in accordance' - Comprehensive reporting requirements and adherence to reporting principles and standard disclosures of the Global Reporting Initiative G4 Sustainability Reporting Guidelines (GRI G4).

The intended user of this assurance statement is the management of the Company. The management of the Company is responsible for all the information provided in the Report as well as the processes for collecting, analyzing and reporting the information presented in the printed and web based Report, including the maintenance and integrity of the website. Our responsibility in performing this work is regarding the verification of the non-financial - qualitative and quantitative information (sustainability performance) reported in the Report only, in accordance with the scope of work agreed with the management of the Company. The assurance engagement is based on the assumption that the data and information

provided to us is complete, sufficient and authentic. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this assurance statement. Our assurance engagement was planned and carried out in May 2015.

#### Scope, Boundary and Limitations of Assurance

The scope of assurance included the review of Economic, Environment and Social information in the Report. In particular the assurance engagement included:

- ♦ The verification of the qualitative and quantitative sustainability performance reported in the Annual Report prepared by DIMO based on the GRI G4 guidelines, covering economic, environmental and social performance for the activities undertaken by the Company over the reporting period 1st April 2014 to 31st March 2015 and reported in this Annual Report;
- ♦ Review of the policies, initiatives, practices and performance described in the non-financial - qualitative and quantitative information (sustainability performance) reported in DIMO's printed Annual Report 2014/15 as well as references made in the Report ;
- ♦ Evaluation of the disclosed information in the Report - both General and Specific Standard Disclosures - made in line with the 'in accordance' - Comprehensive reporting requirements, and covering the systems and processes the Group has in place for adherence to reporting principles set out in GRI G4;
- ♦ Evaluation with respect to the AccountAbility principles and specified performance information, for a Type 2, moderate level of assurance, in accordance with the requirements of AA1000AS (2008):
  - ♦ information relating to the issues, responses, performance data, case studies and underlying systems for the management of such information

and data;

- ♦ information relating to materiality assessment and stakeholder engagement processes;
- ♦ Confirmation of the fulfillment of GRI G4 guidelines' 'in accordance' - Comprehensive criteria, as declared by DIMO.

The reporting Aspect boundary is based on the internal and external materiality assessment covering the operations (Vehicles - Sales, Vehicles - After Services, Marketing and Distribution, Construction and Material Handling Equipment and After Services, Electromechanical, Biomedical Engineering and Marine Solutions) in Sri Lanka, including key supply chain activities, as set out in the Report. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement except certain disclosures related to remuneration which are set out in the Report as being "sensitive and confidential". No external stakeholders were interviewed as part of this assurance engagement.

#### Verification Methodology

This assurance engagement was planned and carried out in accordance with the AA1000AS (2008) i.e. Type 2, Moderate and the DNV GL's VeriSustain. The Report has been evaluated against the following criteria:

- ♦ Adherence to the principles of Inclusivity, Materiality and Responsiveness, as well as Reliability of specified information on sustainability performance, as set out in the AA1000AS (2008);
- ♦ Application of the principle of materiality as per GRI G4;
- ♦ Adherence to additional principles of Completeness and Neutrality, as set out in VeriSustain;
- ♦ The GRI G4 requirements - 'in accordance' - Comprehensive.

During the assurance engagement, we have taken a risk-based approach, meaning that we concentrated our verification efforts on the issues of high material relevance to DIMO's business and its stakeholders. We have verified the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In doing so, we have:

- ♦ Reviewed the approach to stakeholder engagement and its materiality determination process;
- ♦ Verified the sustainability-related statements and claims made in the Report and assessed the robustness of the data management system, information flow and controls;
- ♦ Examined and reviewed documents, data and other information made available by DIMO and visited the Head office at Colombo and three sites, i.e. workshop and service centres at Colombo (Mercedes Benz Centre (DIMO 800)) and Anuradhapura, and the logistics centre at Weliveriya;
- ♦ Conducted interviews with key representatives including data owners and decision-makers from different functions of the Company;
- ♦ Performed sample-based reviews of the mechanisms for implementing the sustainability related policies, as described in the Report;
- ♦ Performed sample-based checks of the processes for generating, gathering and managing the quantitative data and qualitative information included in the Report.

## Conclusions

The Annual Report is prepared based on GRI G4 Reporting Principles and Standard Disclosures for 'in accordance' – Comprehensive and, as a good practice, DIMO has also used the International <IR> Framework of the International Integrated Reporting Council (IIRC) including its Guiding Principles and Content Elements and covering DIMO's value creation process for sustainable business.

In our opinion, based on the scope of this assurance engagement, the non-financial – qualitative and quantitative information (sustainability performance) reported in DIMO's Annual Report 2014/15 and referenced information provides a fair representation of the sustainability related strategies, management system and performance and meets the general content and quality requirements of GRI G4 i.e.,

- ♦ **General Standard Disclosures:** We are of the opinion that the reported disclosures generally meet the GRI G4 reporting requirements for 'in accordance' – Comprehensive based on GRI G4, and the reason for non-disclosures are adequately explained.
- ♦ **Specific Standard Disclosures:** We are of the opinion that the reported disclosures generally meets the GRI G4 reporting requirement for 'in accordance' – Comprehensive based on GRI G4 covering generic Disclosures on Management Approach (DMAs) and Performance Indicators for identified material Aspects as below:

## Economic

- Economic Performance – G4-EC1, G4-EC3, G4-EC4;
- Indirect Economic Impacts – G4-EC7, G4-EC8;
- Procurement Practices – G4-EC9

## Environmental

- Materials – G4-EN1;
- Energy – G4-EN3, G4-EN4, G4-EN5, G4-EN6;
- Water – G4-EN8, G4-EN9, G4-EN10;
- Emissions – G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21;
- Effluents and Waste – G4-EN22, G4-EN23, G4-EN24;
- Compliance – G4-EN29;
- Environmental Grievance Mechanisms – G4-EN34;

## Social

Labour Practices and Decent Work

- Employment – G4-LA1, G4-LA2, G4-LA3;
- Occupational Health and Safety – G4-LA5, G4-LA6, G4-LA7, G4-LA8;
- Training and Education – G4-LA9, G4-LA10, G4-LA11;
- Supplier Assessment for Labour Practices – G4-LA14, G4-LA15;
- Labour Practices and Grievance Mechanisms – G4-LA16;

## Human rights

- Non-Discrimination – G4-HR3;
- Human Rights Grievance Mechanisms – G4-HR12;

## Society

- Local Communities – G4-SO1, G4-SO2;
- Anti-Corruption – G4-SO3, G4-SO4, G4-SO5;
- Compliance – G4-SO8;
- Grievance Mechanisms for Impacts on Society – G4-SO-11;

## Product responsibility

- Customer Health and Safety – G4-PR1, G4-PR2;
- Product and Service Labelling – G4-PR3, G4-PR4, G4-PR5;
- Marketing Communications – G4-PR6, G4-PR7;
- Customer Privacy – G4-PR8;
- Compliance – G4-PR9.

The Report also includes

We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

## AA1000AS (2008) principles

**Inclusivity:** The stakeholder identification and engagement process includes engagement with key stakeholders to identify sustainability challenges and concerns through different channels. The material issues emerging from the stakeholder engagement were collected and prioritized,

## Independent Assurance Statement on Non-Financial Reporting

DNV·GL

and the results are fairly reflected in the Report. In our view, the level at which the Report adheres to this principle is "Good".

**Materiality:** The process of materiality assessment has been carried out for the Company's five business verticals based on requirements of GRI G4, considering aspects that are internal and external to the Company. In our view, the level at which the Report adheres to this principle is "Good".

**Responsiveness:** We consider that the response to key stakeholder concerns, through DIMO's policies and management systems including governance are fairly reflected in the Report. In our view, the level at which the Report adheres to this principle is "Good".

**Reliability:** The majority of data and information verified at Head office and at three sites visited by us were found to be fairly accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected. Hence, in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that the specified sustainability data and information presented in the Report is reliable and acceptable. In our view, the level at which the Report adheres to this principle is "Good".

### Specific evaluation of the information on sustainability performances

We consider the methodology and process for gathering information developed by DIMO for its sustainability performance reporting is appropriate and the qualitative and quantitative data included in the Report, was found to be identifiable and traceable. The personnel responsible was able to demonstrate the origin and interpretation of the data and its reliability. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

### Additional principles as per DNV GL's VeriSustain

**Completeness:** The Report has fairly attempted to disclose the General and Specific Standard Disclosures including the Disclosures on Management Approach covering the sustainability strategy, management approach, monitoring systems and sustainability performances indicators against the GRI G4 – 'in accordance' – Comprehensive option. The company has brought out reasons for omissions wherever any information has not been disclosed. In our view, the level at which the Report adheres to this principle is "Acceptable".

**Neutrality:** The disclosures related to sustainability issues and performances are reported in a neutral tone, in terms of content and presentation. In our view, the level at which the Report adheres to this principle is "Good".

### Opportunities for Improvement

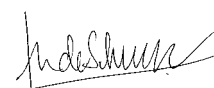
The following is an excerpt from the observations and further opportunities for improvement reported to the management of DIMO and are not considered for drawing our conclusion on the Report; however, they are generally consistent with the Management's objectives:

- ♦ Systems may be established for fully reporting the performance indicators where information has not been fully disclosed and where reasons for omission have been provided.
- ♦ Site level risk assessments may be carried out to arrive at specific sustainability risks emerging from various operations so as to design appropriate strategies for risk mitigation.
- ♦ Existing management systems may be reviewed and strengthened to effectively manage environmental and health and safety aspects across different operations.

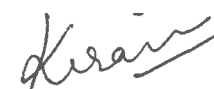
### Our Competence and Independence

We are a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward any people interviewed.


For DNV GL



**Rathika De Silva**  
Country Head  
DNV Business Assurance Lanka (Private) Limited



**Kiran Radhakrishnan**  
Project Manager  
DNV GL Business Assurance India Private Limited, India.



**Prasun Kundu**  
Assurance Reviewer  
DNV GL Business Assurance India Private Limited, India.

26th May 2015,  
Colombo, Sri Lanka.



**AA1000**  
Licensed Assurance Provider  
000-10



## Appendix V

### Ten Year Summary

Year Ended 31st March	2014/15 Rs.'000	2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000	2010/11 Rs.'000	2009/10 Rs.'000	2008/09 Rs.'000	2007/08 Rs.'000	2006/07 Rs.'000	2005/06 Rs.'000
<b>Operating Results</b>										
Revenue	28,037,376	20,884,674	27,711,604	39,862,943	29,357,271	10,530,587	9,187,966	12,687,289	12,989,916	10,512,326
Profit before tax	847,033	512,858	490,021	3,724,521	3,395,980	420,095	175,082	344,444	512,895	382,235
Income Tax	(250,950)	(119,317)	(27,871)	(1,022,870)	(1,274,228)	(141,842)	(72,054)	(139,351)	(211,118)	(117,062)
Profit for the year	596,083	393,541	462,150	2,701,651	2,121,752	278,253	103,028	205,093	301,777	265,173
<b>Capital Employed</b>										
Stated Capital	425,297	425,297	425,297	425,297	182,500	182,500	182,500	182,500		
Share Capital	-	-	-	-	-	-	-	-	121,000	90,000
Share Premium	-	-	-	-	-	-	-	-	61,500	37,500
Other Components of Equity	2,838,894	2,018,475	2,014,752	2,014,752	1,135,612	1,135,612	1,135,612	311,522	311,522	311,522
Revenue Reserves	5,973,747	5,473,721	5,191,118	5,000,566	2,882,735	882,816	686,733	1,163,129	1,012,486	777,009
Total equity	9,237,938	7,917,493	7,631,167	7,440,615	4,200,847	2,200,928	2,004,845	1,657,151	1,506,508	1,216,031
Total Borrowings	5,253,838	5,950,126	3,417,800	5,045,829	3,068,466	1,966,600	2,709,671	2,802,374	2,864,688	2,796,158
Net capital Employed	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528	4,714,516	4,459,525	4,371,196	4,012,189
<b>Net Assets Employed</b>										
Non- current assets	8,161,436	6,937,410	5,719,010	4,763,435	3,099,509	2,149,406	2,234,911	1,463,068	1,005,370	775,323
Current assets	9,910,853	9,157,244	7,181,369	10,536,783	7,839,972	3,389,023	3,028,263	4,368,090	4,193,262	3,794,288
Total liabilities (excluding borrowings)	(3,580,513)	(2,227,035)	(1,851,412)	(2,813,774)	(3,670,168)	(1,370,901)	(548,658)	(1,371,633)	(827,436)	(557,422)
Net Assets Employed	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528	4,714,516	4,459,525	4,371,196	4,012,189
<b>Cash Flows</b>										
Net cash generated from/(used in) operations	648,049	(726,849)	3,207,700	(2,430,074)	1,793,848	846,833	625,652	520,706	383,134	(990,433)
Net cash from/(used in) investing activities	(677,408)	(1,361,283)	(970,581)	(788,829)	(937,710)	(24,275)	1,918	(519,212)	(287,636)	(91,474)
Net cash from/(used in) financing activities	(340,735)	975,156	(474,062)	277,902	(377,658)	(295,885)	(416,861)	179,289	(49,458)	305,800
Net increase / (decrease) in cash and cash equivalent	(370,094)	(1,112,976)	1,763,057	(2,941,001)	478,480	526,673	210,709	180,783	46,040	(776,107)
<b>Key Indicators</b>										
Earnings per share (Rs.)	67.15	44.34	51.16	304.36	239.03	27.97	9.36	16.95	25.76	22.96
Net assets per share (Rs.)	1040.73	891.97	859.71	838.24	473.26	252.92	230.39	136.95	124.50	121.60
Market value per share (Rs.)	630.00	505.00	505.00	982.20	1,484.70	394.25	60.25	88.75	120.00	138.50
Dividend per share (Rs.)	20.00	10.00	10.00	40.00	61.00	7.00	3.00	4.00	6.00	6.00
Dividends approved (Rs.'000)	177,529	88,764	88,764	244,102	443,822	34,810	26,107	48,400	72,600	60,000
Annual sales growth (%)	34.25	24.64	(30.48)	35.91	178.78	14.61	(27.58)	(2.33)	23.57	38.95
Equity to total assets ratio (%)	51.12	49.19	59.15	48.63	38.40	39.78	38.09	28.42	28.98	26.61
Dividend cover (no of times)	3.36	4.43	5.11	7.61	4.00	3.11	2.34	4.02	3.88	3.99
Price earnings ratio (no. of times)	9.38	11.39	9.70	3.23	6.21	14.89	6.44	5.24	4.66	6.03
Current Ratio (no. of times)	1.45:1	1.50:1	1.71:1	1.60:1	1.27:1	1.20:1	1.31:1	1.26:1	1.30:1	1.33:1
Turnover to capital employed (no of times)	1.93	1.51	2.51	3.19	4.04	2.53	1.95	2.84	2.97	2.62
Interest Cover (no of times)	3.06	2.42	2.24	15.67	17.35	2.20	1.31	1.67	2.11	2.43
Average No. of employees	1,524	1,518	1,433	1,179	942	867	869	866	820	714

## Corporate Information

### Name of the Company

Diesel & Motor Engineering PLC

### Registered Office

P.O. Box 339,  
No. 65, Jetawana Road,  
Colombo 14, Sri Lanka.  
Telephone : +94-11-2449797,  
+94-11- 2338883  
www.dimolanka.com  
E-mail : dimo@dimolanka.com  
Facsimile : +94-11-2449080

### Legal Form

A public limited Company incorporated in 1945 under the Laws of the Democratic Socialist Republic of Sri Lanka. The company was re-registered under the Companies Act No 7 of 2007 on 9th May 2008.

### Company Registration Number

PQ 146

### Founded

1939

### Accounting Year End

31st March

### Tax Payer Identification Number (TIN)

104002498

### Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

### Auditors

KPMG,  
Chartered Accountants,  
P.O. Box 186,  
No.32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 3, Sri Lanka.

### Internal Auditors

SJMS Associates  
Chartered Accountants  
No. 2, Castle Street,  
Colombo 04, Sri Lanka.

### Lawyers

Julius & Creasy  
P.O.Box 154  
41 Janadhipathi Mawatha  
(Queen Street)  
Colombo 1  
Sri Lanka.

### Bankers

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
DFCC Vardhana Bank  
Hatton National Bank PLC  
Hongkong & Shanghai Banking Corporation Ltd  
Nations Trust Bank PLC  
NDB Bank PLC  
People's Bank  
Sampath Bank PLC

### Company Secretary

B.C.S.A.P. Gooneratne, F.C.A., M.B.A. (Sri J.)

### Company Registrars

Jacey and Company  
No.9/5, Thambiah Avenue  
Off Independence Avenue  
Colombo 07  
Sri Lanka

## Notice of Meeting

Notice is hereby given that the Seventieth Annual General Meeting of Diesel & Motor Engineering PLC will be held at the registered office of the Company, No. 65, Jetawana Road, Colombo 14, on Friday, 29th June 2015 at 11.30 a.m. and the business to be brought before the meeting will be:

### Agenda

1. To consider and adopt the report of the Directors and the statement of accounts for the year ended 31st March 2015, with the report of the Auditors thereon.
2. To re-elect Mr. A M Pandithage, who retires by rotation in terms of Articles 66 of the Articles of Association as a Director of the company.
3. To re-elect Prof. U. Liyanage, who retires by rotation in terms of Articles 66 of the Articles of Association as a Director of the company.
4. To re-elect Mr. B.C.S.A.P. Gooneratne, who retires by rotation in terms of Articles 66 of the Articles of Association as a Director of the company.
5. To reappoint as a Director Mr. R. Seevaratnam who has reached the age of 71 years and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007.

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. R. Seevaratnam who has reached the age of 71 years is hereby re-appointed a Director of the company and it is hereby declared that the age limited of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. R. Seevaratnam.”

6. To reappoint Messrs KPMG as Auditors to the Company for the ensuing year and to authorise the Board of Directors to determine their remuneration.
7. To authorise the Directors to determine contributions to charities.

The profiles of the Directors proposed for re-election are given on page 21 of the Annual Report.

### Notes

**A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member of the company.** A form of proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office, No. 65, Jetawana Road, Colombo 14, not less than forty-eight hours before the time fixed for the meeting.

By Order of the Board,

**Diesel & Motor Engineering PLC**  
Company Registration No. PQ-146



**B.C.S.A.P. Gooneratne**  
*Secretary*

Colombo  
26th May 2015

Notes

## Form of Proxy

I/We .....

of .....

being a member/members of DIESEL & MOTOR ENGINEERING PLC hereby appoint:

1 .....of

..... Holder of NIC No. ....or failing him/them.

2. Asoka Ranjith Pandithage (Chairman of the Company) of Colombo or, failing him, one of the Directors of the company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the Seventieth Annual General Meeting of the company to be held on Friday, 29th June 2015 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

**For** **Against**

- (1) To consider and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2015, with the report of the Auditors thereon.

☐☐

- (2) To re-elect Mr. A.M. Pandithage, who retires by rotation at the Annual General Meeting, a Director.

☐☐

- (3) To re-elect Prof. U Liyanage, who retires by rotation at the Annual General Meeting, a Director.

☐☐

- (4) To re-elect Mr. B.C.S.A.P. Gooneratne, who retires by rotation at the Annual General Meeting, a Director

☐☐

- (5) To reappoint as a Director Mr. R. Seevaratnam in terms of section 210 of the Companies Act No.07 of 2007

☐☐

"Resolved that Mr. R. Seevaratnam who has reached the age of 71 years is hereby re-appointed a Director of the company and it is hereby declared that the age limited of 70 years referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. R. Seevaratnam."

- (6) To re-appoint Messrs KPMG as auditors and authorise the Directors to determine their remuneration.

☐☐

- (7) To authorise the Directors to determine contributions to charities.

☐☐

The proxy may vote as he/she thinks fit on any other resolution brought before the meeting.

Dated this ..... day of ..... 2015.

**Witness:**

.....

.....

.....  
Signature of Shareholder

1. A proxy need not be a member of the Company.
2. Instructions to fill the Form of Proxy (please see overleaf).

## Form of Proxy

### Instruction as to Completion

1. To be valid this form of proxy must be deposited at the Registered Office, No. 65, Jetawana Road, Colombo 14, not less than 48 hours before the time appointed for the holding of the meeting.
2. In perfecting the form of proxy please ensure that all details are legible.
3. If you wish to appoint a person as your proxy, please insert the relevant details overleaf and initial against this entry.
4. Please indicate with a 'X' in the spaces provided how your proxy is to vote on each resolution. If no indication is given the proxy in his/her discretion will vote as he/she thinks fit. Please delete if you do not wish your proxy to vote as he/she thinks fit on any other resolution brought before the meeting.
5. 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.
6. In the case of a proxy signed by an Attorney, the Power of Attorney must be deposited at the registered office for registration.







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