

What you see is what you get

At DIMO we deeply value the qualities of trust, loyalty, faith and confidence. That is why we have spent years building our reputation and inspiring these powerful emotions in the hearts of our stakeholders across the island and beyond. Today, we are very proud of the belief our stakeholders have in us, that we will always serve every one of them with dependability, empathy and care.

'Creating value responsibly' is how we describe our corporate purpose. Inherent in those simple words is also our belief that such value must be inclusive and sustainable, achieved with integrity, reliability and transparency. We are deeply committed to being a responsible corporate citizen, following global best practises in good governance and disclosure not only in our annual integrated reports, but right through to the simplest of the thousands of transactions we perform every day.

This premium placed upon absolute probity is what drives the success we enjoy today as a respected and valuable business enterprise that is strongly positioned, consistently profitable and above all, perfectly transparent.

Because with DIMO, you can be sure that what you see is always what you get.



is what you get

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Value Creation at DIMO

Responsible value creation is the fundamental promise we make 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 aspects of our value creation.

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.

MAKING THINGS CLEAR

We are very pleased to present this, our sixth integrated Annual Report to all our stakeholders today! This first section makes things clear, starting with a short guide to reading this report. This is followed by an overview of DIMO, our history and our financial and operational highlights for the year, giving the reader a frame of reference for the detailed disclosures that follow.

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PERFECTLY TRANSPARENT

A perfectly transparent look at who we are and how we work. This section includes an introduction to the Board of Directors, senior management and leadership. The pages following also include the message from the Chairman/Managing Director, AR Pandithage and the Group Chief Executive Officer AG Pandithage's statement analysing DIMO's performance in the year under review.

Importantly, this section also provides an introduction to the performance and conformance dimensions of DIMO's Enterprise Governance.

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Enterprise Governance 26

A CLEAR-CUT DELIVERY

We pride ourselves on a clear-cut delivery of value. In this key section of the report we discuss the DIMO value creation model and overall strategy in detail. You will also learn more about how we engage with our stakeholders to receive their feed-back, because this is important to DIMO in relation to stewardship, as a capital and for sustainability and risk management.

Value Creation Model 28

Strategy 30

Stakeholder Engagement 31

A VISIBLE OPERATION

Our operations are completely above board and visible to everyone. Here we look at the capitals that provide inputs, the performance of diverse business segments and our value creation activities. We also describe the economic, social and environmental impacts of our value creation activities and Risk Management which together form part of the performance dimension of Enterprise Governance at DIMO.

The Capitals Report 36

Business Report 54

Impact Management Report 62

Risk Management Report 76

■ A VERY CLEAR PICTURE

This is where we present a very clear picture of how DIMO implements responsible and transparent governance across the Company at every level. The conformance aspects of Enterprise Governance are presented in detail in the pages that follow, together with the relevant confirmative statements and reports.

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Conformance **83**

Committee Reports **91**

Responsibility Statement of Chairman/ Managing Director,

Chief Executive Officer and Chief Financial Officer **95**

■ AN UNAMBIGUOUS RESULT

The year's monetised results are clear and unambiguous. DIMO is proud to present another excellent performance to our stakeholders this year. In this section we present our financial statements and details relating to our financial position and performance, followed by other supplementary information.

Annual Report of the Board of Directors **98**

Board of Directors' Statement on Internal Controls **102**

Statement of Directors' Responsibilities for Financial Statements **103**

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■ AT A GLANCE

The final section can be read at a glance and includes information supplementary to the main body of this report.

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Form of Proxy **177**

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.



Dimo is aware of the environmental impact of the plastic used in the production in this report. In the interests of minimising this impact, Dimo pledges to recycle twice the total amount of plastic used for the production of this report. All employees at Dimo will be engaged in this initiative.

Shareholders may return this annual report to any Dimo outlet for recycling.



ONLINE REFERENCES:

The HTML version of the Annual Report 2015/16 can be read at

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

Supplementary information of the Annual Report 2015/16 can be read at

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

Making things clear

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Welcome to Our Sixth Integrated Annual Report

► This report is organised around DIMO's story of value creation. The key aspects of our value creation process are the different forms of capital that provide the inputs, and the value creating activities that result in outputs, outcomes and impacts, while the entire process is driven by enterprise governance.

Here is a description of the context and framework of our reporting.

The Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange require that the Company publishes its annual report within a specified period after the end of its financial year. They also stipulate specific requirements and disclosures that must be incorporated in the annual report. In parallel, the Board's commitment to stewardship demands transparency on matters relevant to stakeholders. Potential investors also seek information relating to the value creating ability of the company. This Annual Report is produced primarily to address and fulfil these requirements.

This is the Company's sixth integrated Annual Report. This report is organised around DIMO's story of value creation. The key aspects of our value creation process are the different forms of capital that provide the inputs, and the value creating activities that result in outputs, outcomes and impacts, while the entire process is driven by enterprise governance. DIMO's value creation model aims to create value while balancing the Company's responsibilities towards its diverse stakeholders, including its shareholders and the environment. How the Company achieved this over the past financial year through performance and conformance is discussed comprehensively through the different sections of this report.

The Financial Statements of the Company up to and as at 31st March 2016 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). We have followed 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). Details of compliance with this code are provided from page 82 to 95.

The Company is a member of the business network of the International Integrated Reporting Council (IIRC). The Council's Integrated Reporting Framework has been applied to this, the Group's sixth integrated report for 2015/16.

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: www.dimolanka.com. This information relating to sustainability is prepared "In accordance- comprehensive" of the GRI (G4) guidelines. The GRI (G4) index is available from page 166 to 169.

The Greenhouse Gas Protocol Corporate Standard published by World Resources Institute (WRI) and World Business Council for

Sustainable Development (WBCSD) has been used to measure and report on the Group'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 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 Sustainability Committee 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 & Motor Engineering PLC and its subsidiaries, collectively referred to as the DIMO Group, spanning a 12-month period ending 31st March 2016. 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 171 to 172.

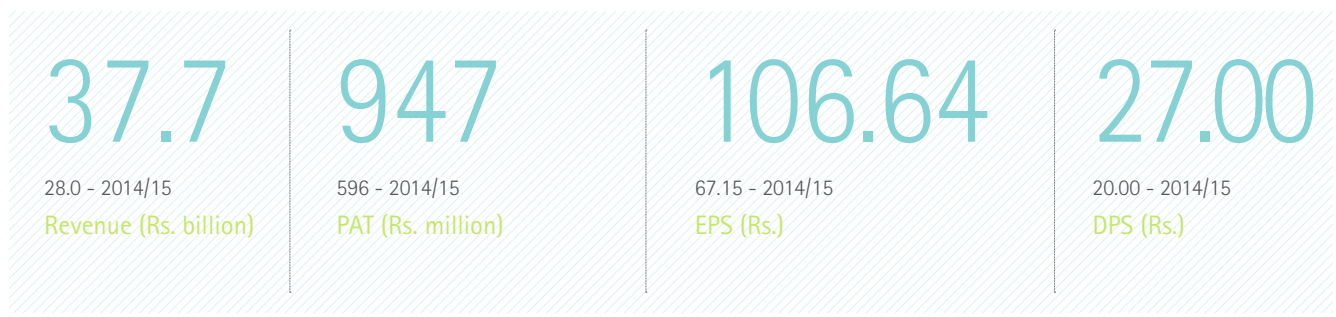
The Independent Auditor's opinion on the Financial Statements is available in the Independent Auditors' Report on page 105.



✓ This report can be viewed on Internet Explorer 9.x or higher, Mozilla Firefox® 32.x or higher, Safari 6, or higher, Chrome 23 or higher

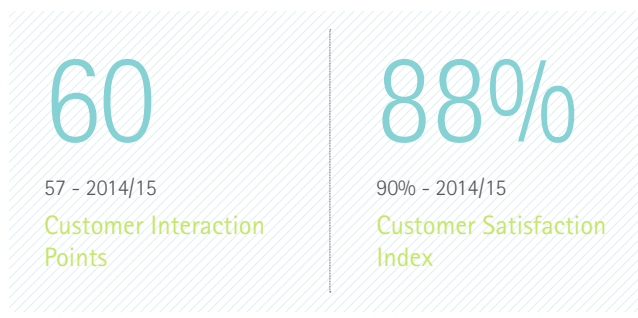
Highlights

Monetised Capital

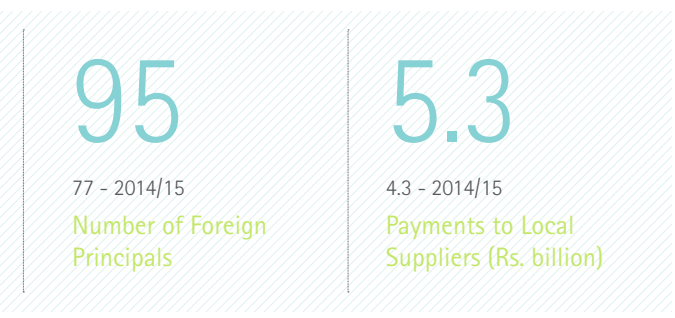


Relationship Capital

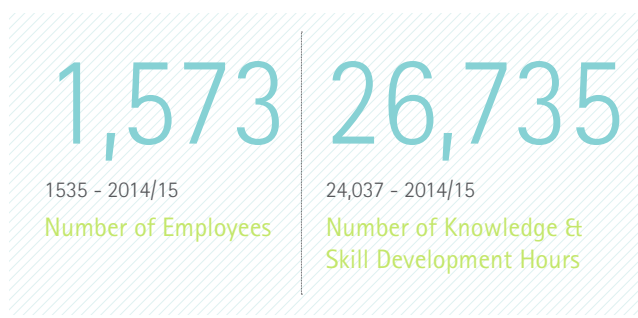
Customer



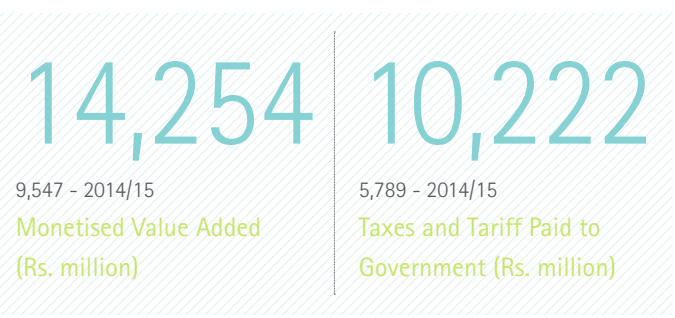
Business Partners



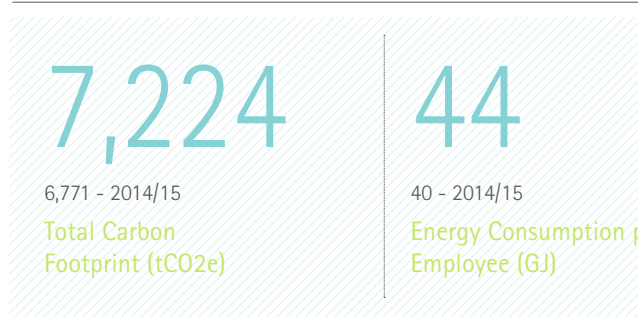
Human Capital



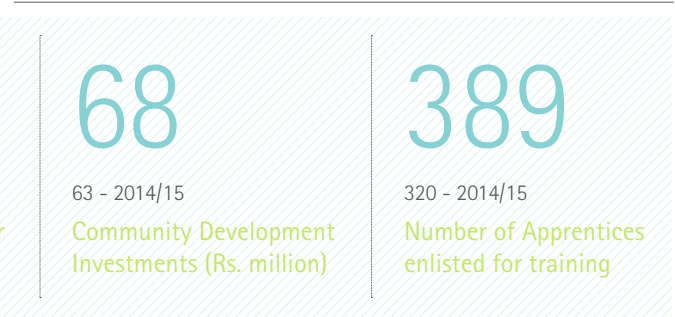
Economic Impact



Environmental Impact



Social Impact



The DIMO Legend



How it all began

1939 - 1960

In 1939, four young men - Stephen Peries, Pandithage Don Alexander, Cyril Algama and Harold Algama launched their own workshop in a 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.

By 1945 DIMO was incorporated as a private, limited liability company and 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. His active partnership with the DIMO led to a significant expansion of the business. By 1952 a showroom, stores and workshop were all open for business.



A powerful partnership

1960 - 1970

TATA Motors, India ventured into the international market starting with Sri Lanka by partnering with DIMO in 1961. Thus began one of the most successful business relationships which paved the way for years of mutual trust and success. 1964 - Listing with the Colombo Brokers' Association



DIMO diversifies

1970 - 1990

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

Making things clear

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World class quality standards

2000 – 2008

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

In 2008, the Company's logistic operations were relocated to Weliweriya which is situated in the Gampaha district.

Developing talent and skills

1990 – 2000

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

In 1996, the Company relocated its after sales and service workshops of commercial vehicles. Construction Machinery and Power Systems to Siyambalape, Biyagama. The workshop complex is equipped with state of the art machinery and equipment.

Moving to a new level

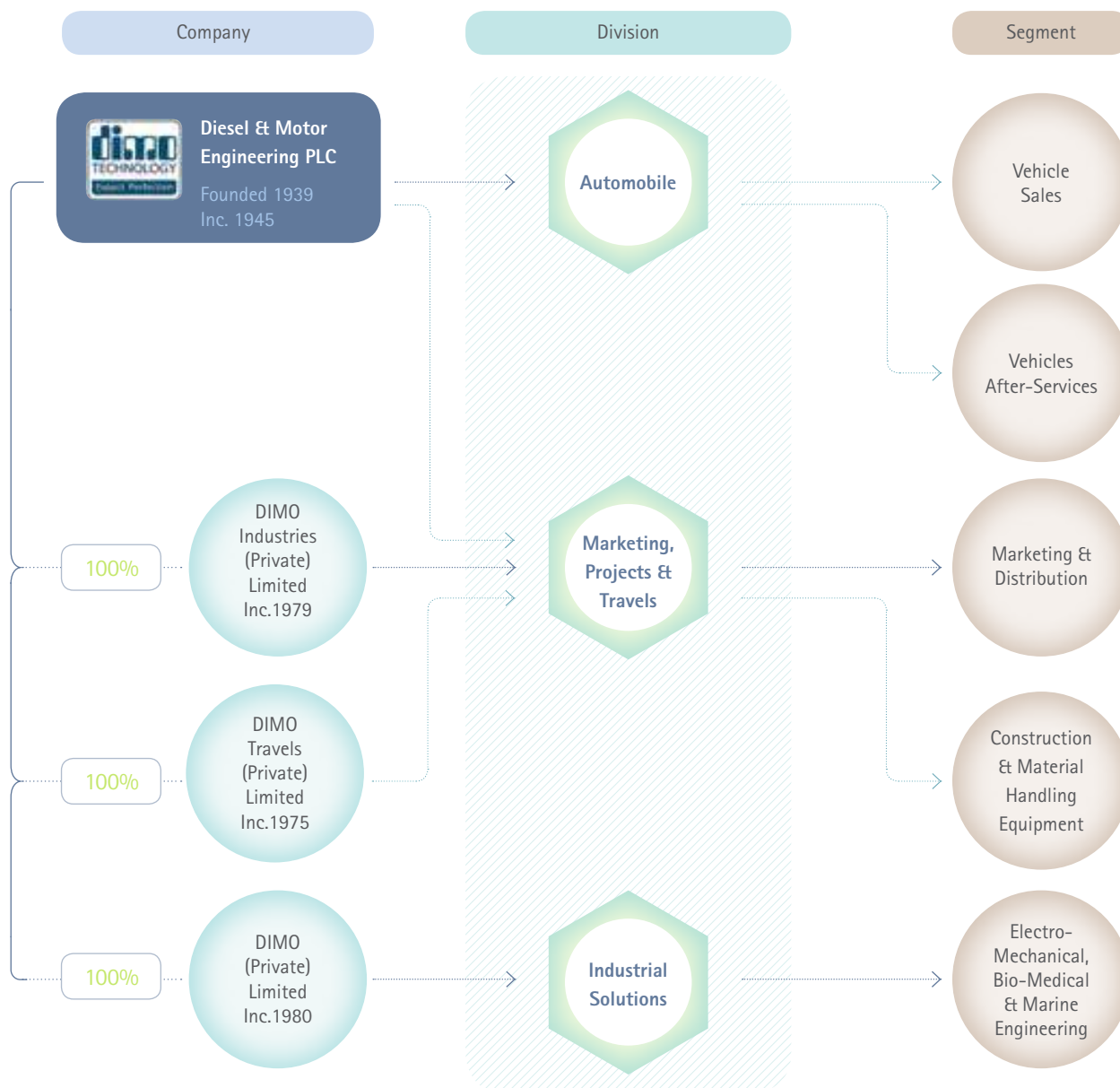
2008 – to the present

Years of responsible behaviour and a strong focus on service quality enabled DIMO to achieve global recognition. A new era of business diversification was set in motion after the war ended in Sri Lanka. In 2014 DIMO opened a state of the art Mercedes-Benz Sales & Aftercare Centre designed to showcase the Mercedes Benz Experience.

Today DIMO is truly a global yet local company, one that has always reflected the enduring spirit of Sri Lanka on its seventy-six year journey to success.



The Group Structure



Board of Directors

Company Name	Name of the Directors
Diesel & Motor Engineering PLC	A.R. Pandithage (Chairman/Managing Director), A.G. Pandithage (Group 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

* Ceased to be a Director with effect from 10th August 2015.

** Ceased to be a Director with effect from 31st July 2015.


Perfectly transparent

A perfectly transparent look at who we are and how we work. This section includes an introduction to the DIMO Board of Directors, senior management and leadership. The pages following also include the message from the Chairman/Managing Director, AR Pandithage and the Group Chief Executive Officer AG Pandithage's statement analysing DIMO's performance in the year under review.

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A full-page photograph of a man with a shaved head, wearing a light green suit and a white shirt, sitting in a black leather armchair. He is positioned in front of a dark wood-paneled wall and a large window with horizontal blinds. To his right is a professional studio light on a stand. The floor is a light-colored, reflective surface. The overall scene is a professional studio portrait setup.

**What you see is always
what you get**

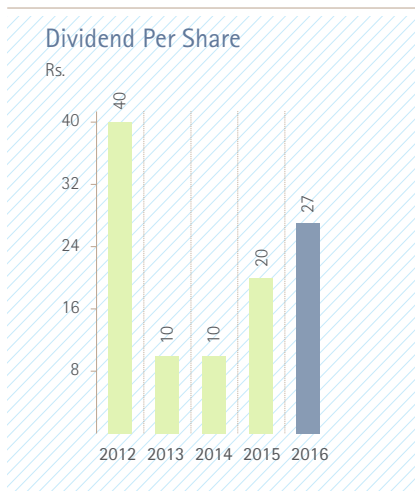
A statement from the Chairman, Mr A. R. Pandithage

Chairman's Statement

947 Mn

Profit After Tax

increased by 59% from Rs. 596 million to Rs. 947 million.



► This year we chose transparency as the theme of our Annual Report because it is an important facet to the way we do business. The practice of transparency is to fulfill our stewardship obligations as well as to build-up our stakeholders' trust in us.

What You See is Always What You Get

In this year's Annual Report, we discuss precisely how we 'create value responsibly', by analysing and describing in detail the work we do to elaborate the protocols of responsibility, accountability and transparency. These three fundamentals govern everything we do.

DIMO has long been a benchmark of corporate excellence. The premium we place on absolute probity guarantees that what our stakeholders see is always what they get.

Transparency Builds Trust

This year we chose transparency as the theme of our Annual Report because it is an important facet to the way we do business. The practice of transparency is to fulfill our stewardship obligations as well as to build-up our stakeholders' trust in us. Trust is a pre-requisite to build business partnerships and human capital.

A Not so Helpful Economic Background

Overall, the external factors did not seem helpful for our business during the year.

- The AWPLR increased from 7.01% in April 2015 to 9.12% by end of March 2016.
- The Rupee depreciated against the US dollar by 8.28% during the financial year.
- The GDP growth rate for the calendar year 2015 reduced to 4.8% from previous year's 4.9%.

This was in contrast to the conducive environment that existed during the previous financial year.

Yet, we had mixed fortunes

One would expect industry volumes to decline in such an environment. Yet, we had mixed fortunes. Except in the construction and material handling equipment segment our industry volumes increased with an overall growth for the year 2015/16. However, following the imposition of the mandatory Loan to Value (LTV) ratio for vehicle leases the total industry volume of the vehicles segment declined during the last quarter.

Sense of Achievement

Against a backdrop of favourable industry volumes, the DIMO tribe brought in positive financial results which gives us a sense of achievement.

- The EBIT increased 46% from Rs. 1,270 million to Rs. 1,850 million
- The budgeted profit before tax for the year was achieved
- The profit after tax increased 59% from Rs. 596 million to Rs. 947 million
- The ROE increased from 6.43% to 9.46%
- Monetised value added grew by 49%
- Carbon footprint tCO₂e per Rs. 1.0 million turnover reduced from 0.2413 tCO₂e to 0.1917 tCO₂e.

Dividends

The Board declared a first and final dividend of Rs. 27.00 (Rs. 20.00 - 2014/15) per share for the year ended 31st March 2016, which will be paid on 10th June 2016.

Chairman's Statement

My Tribe

I have visited every key location and felt overwhelmed by the commitment I saw in my tribe members. Their passion and pride affirms our ethos "DIMO Tribe – Living with values and pride".

Sustainability

We are committed to sustainable development. We have pledged to act responsibly when carrying out our business activities and to be responsive to the expectations of our stakeholders. We will also participate voluntarily in activities beyond the boundaries of our entity, taking on our share of collective responsibility. This endeavour is driven through the management of economic, societal and environmental impacts discussed in more detail from page 63 to 74 in this report.

Investment in Jaffna Giving Returns

We opened our branch in Jaffna in 2009 shortly after the cessation of hostilities. In keeping with our strategy for market leadership in commercial vehicles in the Northern Province, we made a substantial investment in our newly relocated Jaffna Branch, which was opened in June 2014. I am pleased to inform you that after a slow start, our commercial vehicles sales in the North have now reached maturity and are contributing to the Group's profitability.

A Home in Kurunegala Soon

It was in 2007 that we commenced business at our present branch premises in Kurunegala. Since then, the business volume has grown significantly. The present location is now inadequate to serve our customers in the manner that we would like. Kurunegala also can serve as a regional centre due to its unique location. We have just commenced constructing our new Kurunegala Branch on a 05 acre free hold property and expect it to be functional during the current financial year. Once completed it will have showroom facilities for 23 vehicles, 19 working bays, 03 washing bays and will be a vehicle yard for more than 06 vehicles.

Ready to overcome Challenges

I lead a tribe that I feel has mastered their art and I am confident that DIMO has what it takes to sail through tough challenges.

Frequent changes in government policy towards vehicle imports and tariff structures have meant that the competitive strategies we devise become obsolete in a short period of time. We have witnessed frequent changes in valuation systems, tariffs and import conditions relating to vehicles during the past few years. Therefore, we seek consistency in government policy towards vehicle imports and tariff. We are also of the strong opinion that the existing system for deriving the value for import tariff needs careful re-consideration.

There remains a scarcity of technically skilled labour in vocations related to our businesses. This is perhaps due to the shortage of high quality technical colleges and the absence of suitable long term courses relating to technical and vocational education in areas such as automobile engineering. We are paying close attention to opportunities in technical training.

As I said last year, the increasing demands from our foreign principals for investments to support their product portfolios need careful planning and consideration. It is imperative that we meaningfully assess the viability of such expectations and take all aspects into consideration when drawing up our investment plans.

The Millennial Mindset

Your Company has now entered a phase of inducting young future leaders with a "millennial mindset". Their aspirations and behaviour seem to test many beliefs and assumptions that we hold. This same applies to the new generation customers. Helping all tribe members become accustomed to the millennial mindset needs careful attention. This aspect will remain an important priority of our leadership coaching.

A Sustainable Entity

It is important that we build an organisation that has the internal strength and resilience to be a meaningful citizen and a sustainable entity in the long term. Therefore we prioritise aspects such as living our values, building our knowledge, retaining our talent, adopting best practices, systems and procedures, and establishing robust governance mechanisms. While being satisfied with our multiple efforts

in these areas, we realise that it is equally important to subject these to scrutiny by independent parties with the requisite expertise and industry knowledge. We seek certification and assurance for our quality and environmental management systems. We are also humbled by the recognition received for our Corporate Citizenship, Human Resource Management and Reporting Practices.

Innovation and Beyond

We are aware that cost centred competition alone will not make us successful. Therefore, the search is always on for multiple strategies focused on delivering an enhanced customer experience, which will be our differentiating factor. This requires our differentiation strategy to be well supported by innovation. I always encourage my tribe members to be innovative in our offering, its delivery and in the entire value chain.

Technology as a Differentiator

We are excited by what modern technology offers us and enjoy a competitive advantage as an early adopter of new technologies. This year too we have invested on upgrading in new technology and equipment to expand the value we offer to our customers. Our foreign principals are among the leading innovators in modern technology and we are privileged to collaborate with them. Our adaptation to state of the art technology is a contributory factor when introducing new products, and has helped us to attract new principals.

Pursuing New Growth Sectors

Your Company has always been closely associated with the automobile industry, but over the last few years we have diligently pursued expansion into new sectors such as infrastructure development, mechanical and electrical engineering, building services and allied areas. These strategic additions to our portfolio allow us to position ourselves as an integrated solutions provider for the construction industry, and I note with satisfaction that even in a difficult year for the industry, we have had a reasonable performance, in the electro-mechanical engineering business.

Employee First

The organisation takes care of its employees and they in turn take care of our customers and other stakeholders. This is the principle behind our "Employee First" approach. A content, engaged, motivated, empowered and rightly skilled workforce will always drive value creation.

Feel privileged

I have been humbled by the many accolades that we received during the year. Last year's Annual Report was adjudged the best Annual Report by The Instituted of Chartered Accountants of Sri Lanka; Association of Chartered Certified Accountants (ACCA) named us the overall winner for Sustainability Reporting; DIMO was named one of the best workplaces in the country by the Great Places to Work Institute; TATA Motors named us the best distributor amongst all their partner countries. These are a few among many other accolades we received. I feel privileged to lead a tribe that brings home such recognition.

Collaborating to Deliver Differentiation and Value

Collaboration and differentiation drive our corporate strategy. Our diverse synergies and collaborations with business partners and employees set us apart from the competition and help us in our efforts to deliver better value to our stakeholders. Our corporate strategy is discussed in greater detail on page 30.

Integrated Reporting

Our pioneering efforts in integrated reporting has given a new dimension to our corporate reporting. This has also given us an opportunity to go beyond monetised value creation to look at the organisation more holistically, particularly the aspects of non- monetised value. This harmonises well with our stakeholder centred business philosophy, where non- monetised value is given due importance.

Late Professor Uditha Liyanage

We made an announcement last August at the Colombo Stock Exchange about the demise of our colleague Professor Uditha Liyanage, who made a remarkable contribution to the growth of the Company during his tenure of almost nine years. I have benefited immensely from his counsel and advice. Thank you Uditha. May you attain eternal bliss.

► We have invested significantly in expanding the capacity of the vehicles business island wide. We are now reaping the benefits of such investments and expect their contributions to augment overall profitability.

Looking Forward

We have invested significantly in expanding the capacity of the vehicles business island wide. We are now reaping the benefits of such investments and expect their contributions to augment overall profitability. We are also hopeful that present dialogue between the government and stakeholders will result in a robust vehicle import policy and a level playing field. We are looking forward to an improved performance from the vehicles business.

The development in the electro-mechanical business is set to increase the contribution to profitability from that segment as well.

Overall, an improved performance is expected in the ensuing year.

Acknowledgements

This year's results have been satisfactory and it is due to the committed hard work by each member of the DIMO tribe. They have embraced the shared belief in responsibility and transparency and are the driving force behind the value we create. My deep appreciation goes to our foreign principals, who have trusted us as their preferred Sri Lankan partner. Finally, I say thank you to my colleagues on the Board, who have readily supported me with their counsel and advice.



A.R. Pandithage
Chairman/Managing Director

24th May 2016
Colombo



**Strongly positioned, consistently
profitable, perfectly transparent**

A Review of Operations by the Director/Group Chief Executive Officer, Mr A. G. Pandithage

Overall Economic Background

The Group supplies capital goods such as vehicles and machinery & equipment that serve transport, construction, roads, healthcare and infrastructure development sectors. These investments are often funded through borrowings. Therefore, borrowing rates and the performance of the sectors concerned have a considerable influence on the demand for these goods. In addition, other macroeconomic aspects such as inflation and exchange rates influence on our business.

The weekly AWPLR which hovered around 7% plus or minus 25 basis points during the first half of the financial year, commenced a gradual increase from 7.01% at the commencement of the second half to close the year at 9.12%. The US dollar (middle rate) which was Rs. 133.33 per dollar at the beginning of the financial year, closed at Rs. 144.69 at the end of the year; similarly the Euro which stood at Rs. 143.59 per Euro as at 01st April 2015, closed at Rs. 163.95 on 31st March 2016. The GDP growth rate for the calendar year 2015 was 4.8% compared to 4.9% during the previous year. The rate of inflation for the financial year was 2%.

Financial Results

The Group achieved its budgeted profit before tax for the year. Group turnover increased to Rs. 37.5 billion from Rs. 27.8 billion in the previous year. The largest contribution to this 35% increase came from the vehicle sales segment. The profit before tax increased by 63% to Rs. 1,380 million from Rs. 847 million previous year.

Vehicles - Sales

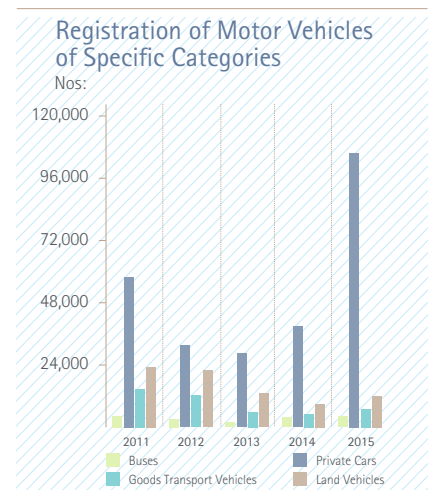
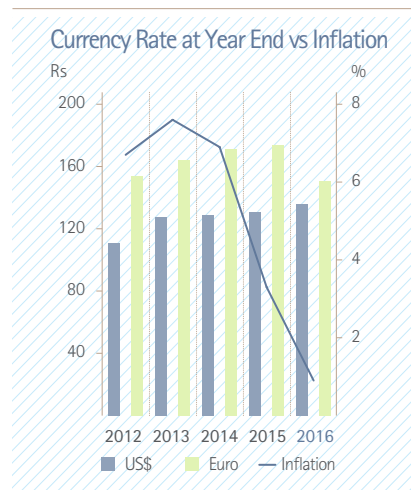
There was steady growth in vehicle sales during the first half backed by supportive interest

Among the many capitals and resources that DIMO is blessed with, our own tribe members have a unique place. It is they who use all other resources and power all the value creating activities. It is they who enable responsible value creation. Thus, they are the soul of DIMO.

rates. However, the imposition of 'Loan to Value (LTV) Ratio' during the second half for vehicles-related lending saw a reduction in demand for vehicles in the fourth quarter. The application of the stipulated LTV ratio required a lender to limit lending for the purchase of a vehicle to 70% of its value. Despite this set-back during the second half, the overall vehicle registrations in the country for the calendar year saw a significant increase compared to the previous year.

The table below shows vehicle registrations during calendar 2015 for the vehicle segments that we serve.

Against the back-drop of higher demand during the first three quarters of the financial year, the number of vehicles sold by DIMO during the year increased by 33% over the previous year and the segment revenue increased by 45% to Rs. 27,283 million from Rs. 18,798 million previous year.



Registration of Motor Vehicles vs Vehicle Sales of the Group

Class of Vehicles	Registration of Motor Vehicles			Vehicles Sales of the Group		
	2015	2014	Growth Rate %	2015	2014	Growth Rate %
Motor cars	105,628	38,780	172	1,778	736	142
Buses	4,140	3,851	8	405	407	-1
Dual purpose vehicles	39,456	20,799	90	11,287	9,045	25
Goods transport vehicles	7,142	5,121	40	1,316	1,102	19
Land vehicles	12,105	9,082	33	794	410	94
Total	168,471	77,633	117	15,580	11,700	33

Review of Operations by the Director/Group Chief Executive Officer Mr A. G. Pandithage

-
- We are on a constant search for areas of growth to build a strong platform that can propel the Group in to the future. Whilst enjoying the growth experienced in the auto sector, we are focusing on opportunities available in the non- auto sector, preferably in related diversification.
-

TATA commercial vehicles sales increased by 23%. We expect TATA commercial vehicles to bring similar revenues during the ensuing year.

TATA passenger vehicles sales grew by 211%, driven by changes to the product offering and consequent re-positioning. With the gradual increase in the country's per capita income and investments being made, we expect this business to grow and do well in the future.

TATA commercial and passenger vehicles businesses are earmarked for significant investments providing us with an opportunity to consolidate and strengthen our market position.

Sale of tractors and harvesters made the second highest contribution to the segment's result with a 93% increase in the number of tractors sold and a phenomenal increase in harvester sales.

Mercedes Benz vehicle sales increased by 24% and also made a significant contribution to the segment.

Vehicles – After Service

The segment revenue increased by 22% compared to the previous year. Investments such as a workshop at Tissamaharama and new paint booths at Siyambalape and Matara helped increase the capacity of vehicles after service during the second half of the year. The workshop under construction in Kurunegala and the proposed investments in workshops in Polonnaruwa and Batticaloa are expected to increase the capacity in the near future. Revenue from the sale of TATA spare parts increased by 28% (-3% - 2014/15).

Marketing & Distribution

The segment revenue increased by 15% and the segment result decreased by 13%. Whilst all businesses except for lighting projects contributed to the increase in segment revenue, losses made by the lighting business adversely affected the segment result. Future plans for tyre and consumer businesses together with the power tools and original equipment spare parts businesses are expected to guide the growth of this segment.

Construction and Material Handling Equipment

The construction and material handling equipment business offers solutions for infrastructure, road, building and warehousing projects in the country.

The construction sector of the country contracted by 0.9% during the calendar year 2015. Against this backdrop, the segment revenue too declined by 11%. The fortunes of this segment for the ensuing year will depend largely on the level of public sector road and infrastructure investment and private sector investment in logistics and warehousing.

Electro- Mechanical, Bio Medical and Marine Engineering

The segment revenue and result increased by 22% and 82% respectively. The medical engineering business which has been a consistent contributor to Group profitability, made its usual contribution this year too. Participation in a major infrastructure project boosted the revenues of the fluid management business. The marine engineering business was propelled by its small craft repair business and contributed its share towards the segment revenue and the result. The successful performance of

this segment therefore came from multiple directions. However, the power engineering and building technologies businesses did not perform as expected due to the slow progress in some infrastructure projects. Forecasts show that the building technologies business will overcome this situation during the ensuing year.

Monetised Value Creation

Monetised capital, a key capital from a management point of view and a transparent medium through which we gauge our performance, continues to receive our close attention. Aspects relating to monetised capital, management of monetised capital and monetised value creation are discussed and presented from page 37 to 40.

The X- Factor

We are of the strong belief that the long term success of DIMO will depend largely on a pool of resources that does not get reflected in our balance sheet. These resources provide us the "X-Factor" when competing. In integrated reporting parlance, we call these the non-monetized capitals. Our long term sustenance depends on how well we manage and nurture these non-monetized capitals. They include our customers and business partners, whom we call our relationship capital, human capital and intellectual capital. More information on these capitals may be found in the Report of Capitals presented from page 37.

Growing in to the future

We are on a constant search for areas of growth to build a strong platform that can propel the Group in to the future. Whilst enjoying the growth experienced in the auto sector, we are focusing on opportunities available in the non-auto sector, preferably in related diversification.

With the success achieved in the agricultural inputs sector in the form of sale of tractors and harvesters, we have now taken the first steps to explore other opportunities in agricultural inputs, particularly in the form of consumable inputs.

Other areas identified for growth include businesses connected to construction industry and infrastructure development.

The Soul of DIMO

Among the many capitals and resources that DIMO is blessed with, our own tribe members have a unique place. It is they who use all other resources and power all the value creating activities. It is they who enable responsible value creation. Thus, they are the soul of DIMO. Employees figure prominently in every aspect of our business, be it the strategy or the value creation model or in conformance. Our 'Employee First' policy and our Employee Value Proposition (EVP) 'Making Work Enjoyable and Rewarding' are not just slogans but reflections of our mindset.

DIMO Auto Training School (DATS)

DATS has been our flagship technical training program for over twenty five years, providing quality and widely accredited training to youth in the country. More than 500 youth have graduated from DATS to date. Over the years we have continuously upgraded the course content and training methods to keep in line with technological demands. DATS was revamped and relocated to our more spacious facility at Weliveriya during the year, increasing its capacity in the process.

Technical Competence Development

Technical competence is a key source of competitive advantage for most of our businesses. Developing technical competence and retaining it in the organisation require a carefully planned structured approach. In order to fulfil these needs and to facilitate the upgrading of DATS, the Company acquired full time services of a foreign expatriate from Germany who counts many years of service in technical competency development.

Sustainable Development Goals

Responsible corporate behaviour is a precondition to our value creation. Therefore, we seek responsible behaviour towards stakeholders and the environment from all our employees. Whilst such behaviour is embedded in our processes and activities, we also play our part in sharing the collective responsibility on aspects that reside outside the boundaries of our business. Based on this collective responsibility, we have become involved in issues relating to the society at large and to the environment. The Impact Report appearing from page 63 to 74, which mainly covers management of impacts arising from our business, also deals with matters where we participate in sharing our collective responsibility. However, going forward, it is our intention to extend our collective responsibility by participating within our means and reach in the United Nations' Sustainable Development Goals (SDGs) adopted in 2015.

Outlook

The TATA commercial vehicles business will continue to serve our customers with our time-tested traditional models whilst invigorating this market by introducing cost effective fleet solutions with vehicles of contemporary designs. Customer reach will be enhanced by focussing on more 3Ss (sales, spare parts, service) customer interaction points.

During the forthcoming year, the focus will be on improving and effectively utilising the capacity of after services. Investments are planned in this area.

The state infrastructure development programmes did not pick up as expected during the year under review. However, we are hopeful of a resurgence during the second half of the ensuing year, which should have a positive impact on the demand for our construction and material handling equipment segment.

Based on the pipe-line of impending business opportunities, electro-mechanical, bio-medical and marine engineering segment is expected to register an improved performance.

The budgets prepared taking the above and other forecasts into consideration show that the ensuing year will deliver a better performance than the year under review.



A.G. Pandithage

Director/Group Chief Executive Officer

24th May 2016
Colombo

Board of Directors





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Board of Directors

01 | **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 and Managing Director since April 2012. Holder of Dip.Ing.from Germany. Member of the Institute of Engineers, Germany (VDI). Director of Dial Textiles Ltd. Director of Board of Investment of Sri Lanka. Vice President of Sri Lanka - Germany Business Council of the Ceylon Chamber of Commerce.

02 | **A.G. Pandithage** Group 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 Group Chief Executive Officer from April 2012.

03 | **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. Executive Committee member of the Ceylon Motor Traders' Association representing the Company.

04 | **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 and Automobiles Industries Committee of the National Chamber of Commerce, Sri Lanka.

05 | **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, Member - Corporate Governance Committee, Senior Lecturer and Examiner-University of Colombo, Senior Lecturer- IALS Sri Lanka Law College, ICLP. Senior Practitioner in the fields of Corporate Law, Intellectual Property Law, International Trade Law, Commercial Law and Commercial Arbitration. Chairman -Tokyo Cement Co (Lanka) PLC, Tokyo Super Cement Co Lanka (Pvt) Ltd, Tokyo Cement Power (Lanka) Ltd, Tokyo Eastern Cement Co Ltd, Tokyo Super Aggregate Ltd, Director - Hayleys PLC, Alumex PLC, Lanka Orix Finance PLC, Browns Investments PLC, Lanka Orix Life Assurance PLC, Richard Pieris Distributors Ltd

06 | **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 Jayewardenepura. Non Executive Director of Hunas Falls Hotels PLC.

** Independent Non-Executive Director

07 | A.M. Pandithage *

Appointed to the Board in September 1982. Chairman and Chief Executive Officer of Hayleys PLC and Group Companies. Fellow of the Chartered Institute of Logistics and Transport (UK), Honorary Consul of United Mexican States (Mexico) to Sri Lanka, Committee Member of the Ceylon Chamber of Commerce, Council Member of the Employers' Federation of Ceylon, Member of the Maritime Advisory Council of the Ministry of Ports and Shipping, Member of the Advisory Council of the Ceylon Association of Ships' Agents, Member of the National Steering Committee on Skills Sector Development of the Department of National Planning, Corporate Excellence Leadership Recognition by the Institute of Chartered Accountants of Sri Lanka in 2015.

08 | R. Seevaratnam **

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, Green Farms (Pvt) Ltd, Colombo Fort & Land Building Co PLC, Omega Line Ltd, Sirio Ltd, Banji Ltd, Alpha Apparels Ltd, Hayleys Agricultural Holdings (Pvt) Ltd, Hayleys Consumers (Pvt) Ltd, Nestle Lanka PLC, Distilleries Company of Sri Lanka PLC, Lankem Ceylon PLC, Darley Butler & co. Ltd

09 | 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 Director

** Independent Non-Executive Director

Group Management Committee



01 | **A.R. Pandithage**
Chairman & Managing Director

04 | **M.V. Bandara**
Chief Operating Officer TATA Vehicles
- Sales & Service

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

05 | **B.C.S.A.P. Gooneratne**
Executive Director

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

06 | **E.D.C. Kodituwakku**
General Manager - Finance & Controlling



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07 | **D.N.K. Kurukulasuriya**
General Manager - Human Resources

08 | **N. Mudannayake**
General Manager - IT

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

10 | **W. Pushpawela**
Chief Operating Officer - DIMO (Pvt) Ltd

11 | **R.C. Weerawardane**
Executive Director

Enterprise Governance

Enterprise Governance at DIMO

Enterprise governance is at the heart of everything we do, because we know that the key ingredients for long term prosperity lie in its two dimensions of conformance and performance. Conformance ensures that DIMO is compliant with laws and regulations, transparent in its practices and ethical in its operations. Performance requires that we formulate strategy, deliver value consistently and are sustainable in our operations.

Stewardship and Value Creation

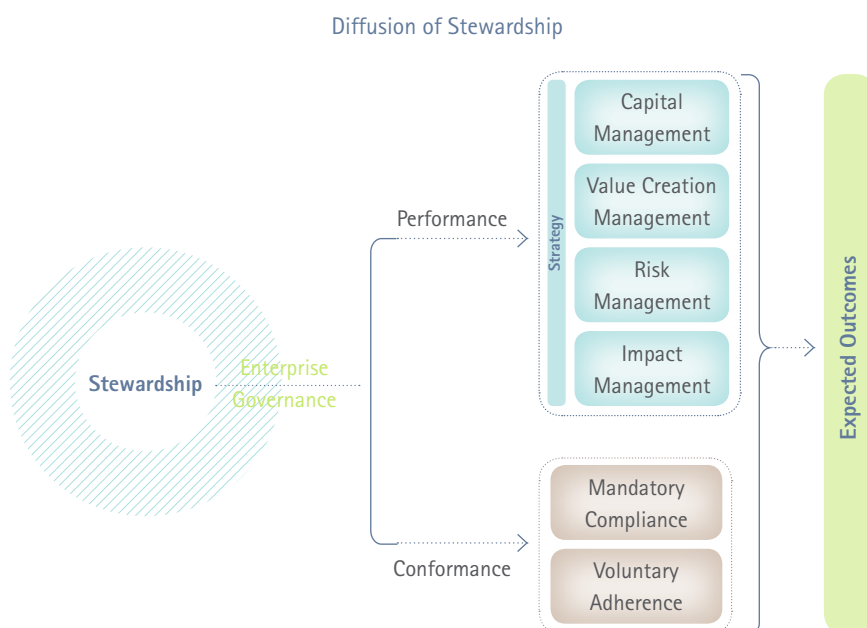
Stewardship directs us on the path of Enterprise Governance, which leads us to successful outcomes through conformance and performance. The illustration presented provides a summarised view of how stewardship helps DIMO realise the expected outcomes envisaged in corporate strategy.

Conformance

Conformance ensures that we are compliant and transparent. We seek to go beyond the mandatory aspects of compliance and embrace 'voluntary adherence'. This has enabled DIMO to enhance its levels of accountability, transparency and credibility; all of which have a positive impact on value creation. Our comprehensive framework of conformance helps to identify the relevant oversight and supervisory mechanisms, legislation, regulations, compliance guidelines, management systems and controls and processes. This aspect of enterprise governance is covered from page 82 to 95.


Performance

Performance encompasses many things and includes providing strategic direction and ensuring the efficient management of our capitals, risks, value creation and impacts. Ultimately, we seek responsible and sustainable value creation for all stakeholders. In view of the diversity and the length of discussion that these aspects demand, they are presented in different places of the Annual Report and include stakeholder engagement, the capitals report, the business report, impact management and risk management.



A clear-cut delivery

We pride ourselves on a clear-cut delivery of value. In this key section of the report we discuss the DIMO value creation model and overall strategy in detail. You will also learn more about how we engage with our stakeholders to receive their feed-back, because this is important to DIMO in relation to stewardship, as a capital and for sustainability and risk management.



28	Value Creation Model
30	Strategy
31	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.

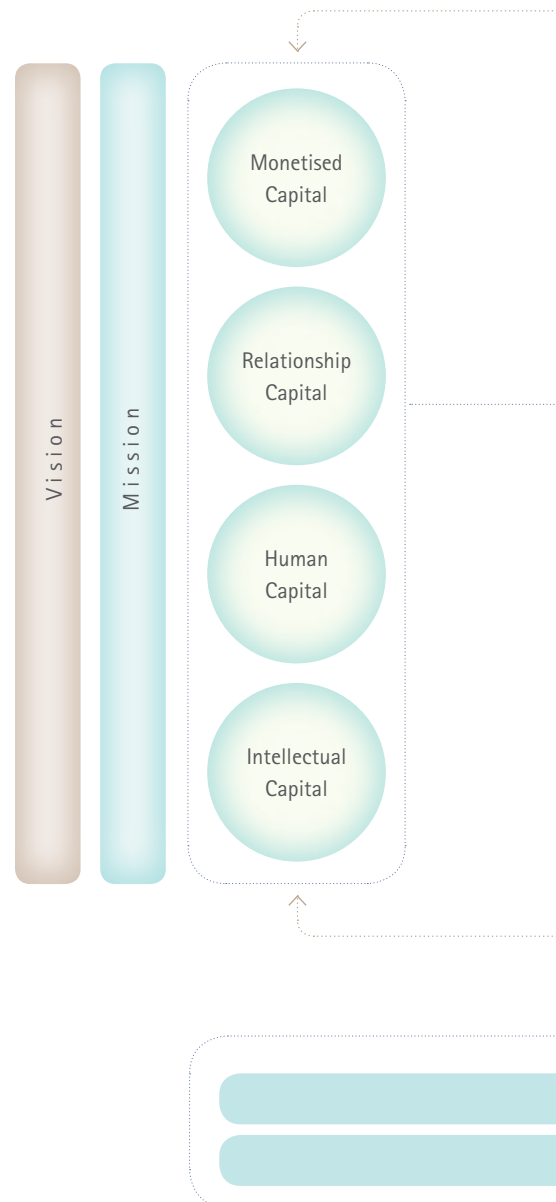
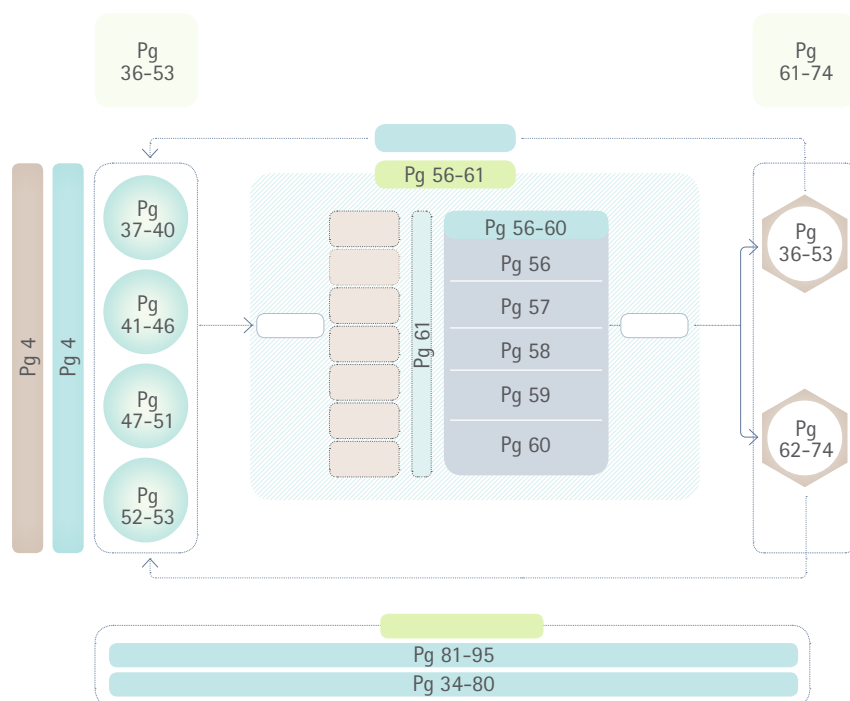
In our model there are three activities that lie at the heart of our value-creating enterprise. Securing, nurturing and preserving the capitals we own while simultaneously managing the economic, social and environmental impacts of our processes. The second demands precision and efficiency in the management of the value creation 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.

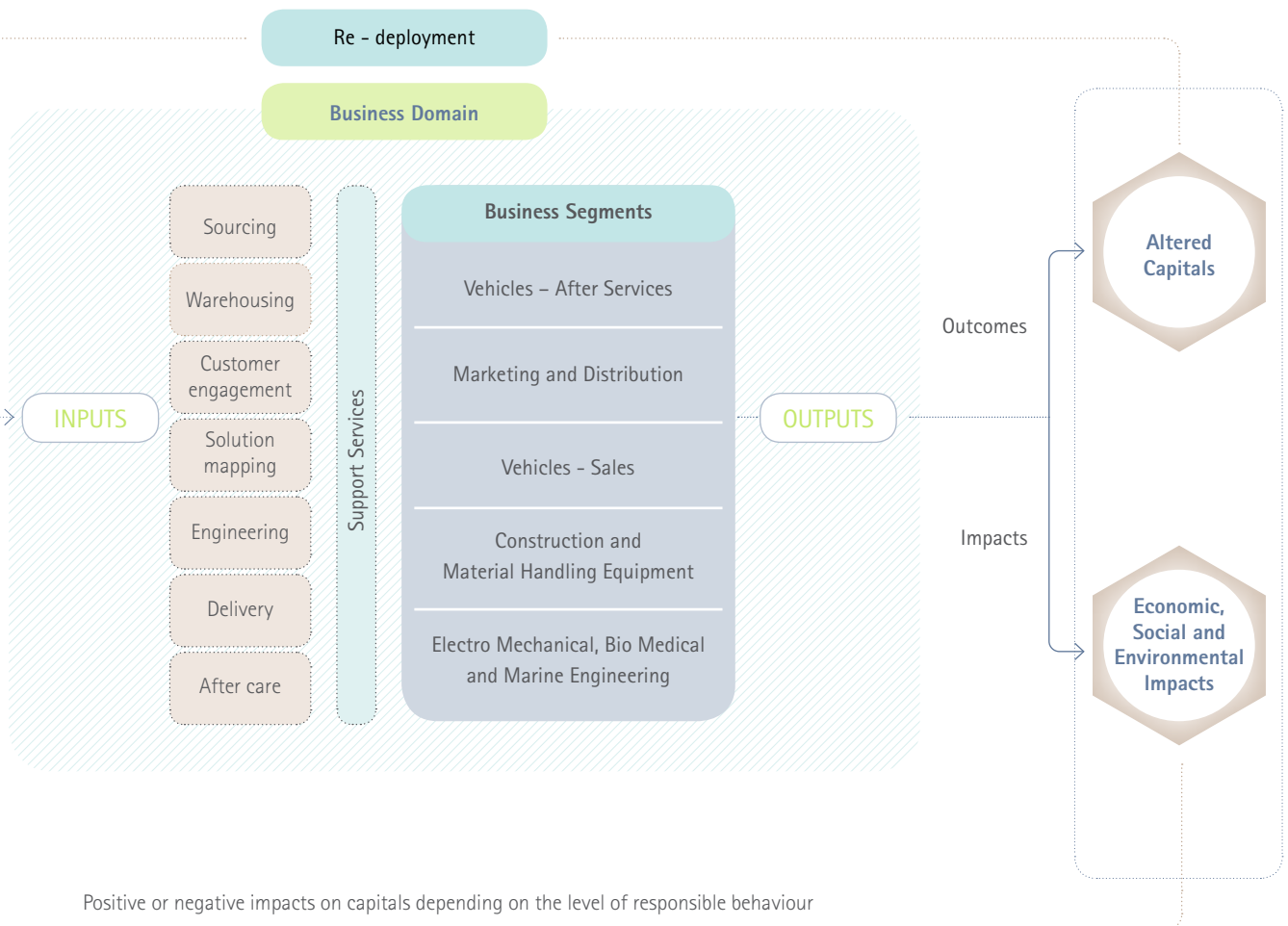
In the end the cycle is a perfect one, in which our capitals or value stores provide inputs for the value creation activities, leading to outputs, impacts and outcomes affecting our capitals. All this is governed by conformance.

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



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



Enterprise Governance

Conformance – Mandatory and Voluntary

Performance – Strategy and Management of Capitals, Value Creation, Risks and Impacts

Strategy

Corporate Strategy

The overarching corporate strategy of DIMO focuses on two key aspects - Collaboration and Differentiation.

Both internal and external collaboration are sought to support the Group's differentiation strategy. Employee engagement is considered as a key aspect of collaboration, which will lead to competitive advantage. Our firm belief is that engaged employees deliver far more in qualitative and quantitative terms, thereby becoming a key force that drives the strategies of differentiation. Similarly, partnering with the best gives us access to best in class products, solutions and technology, which can be leveraged upon to compete more aggressively.

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

We have sought to entrench our strategy of differentiation in the areas of technological excellence, innovation, aftercare, customer relationship management, market presence and responsible behaviour, as described below.

➤ We have sought to entrench our strategy of differentiation in the areas of technological excellence, innovation, aftercare, customer relationship management, market presence and responsible behaviour, as described below. We are committed to continue making significant investments in these areas.

responsible behaviour, as described below. We are committed to continue making significant investments in these areas.

DIMO has an inherent resolve for excellence in technology which is supported by our partners who are among the technological leaders of the world.

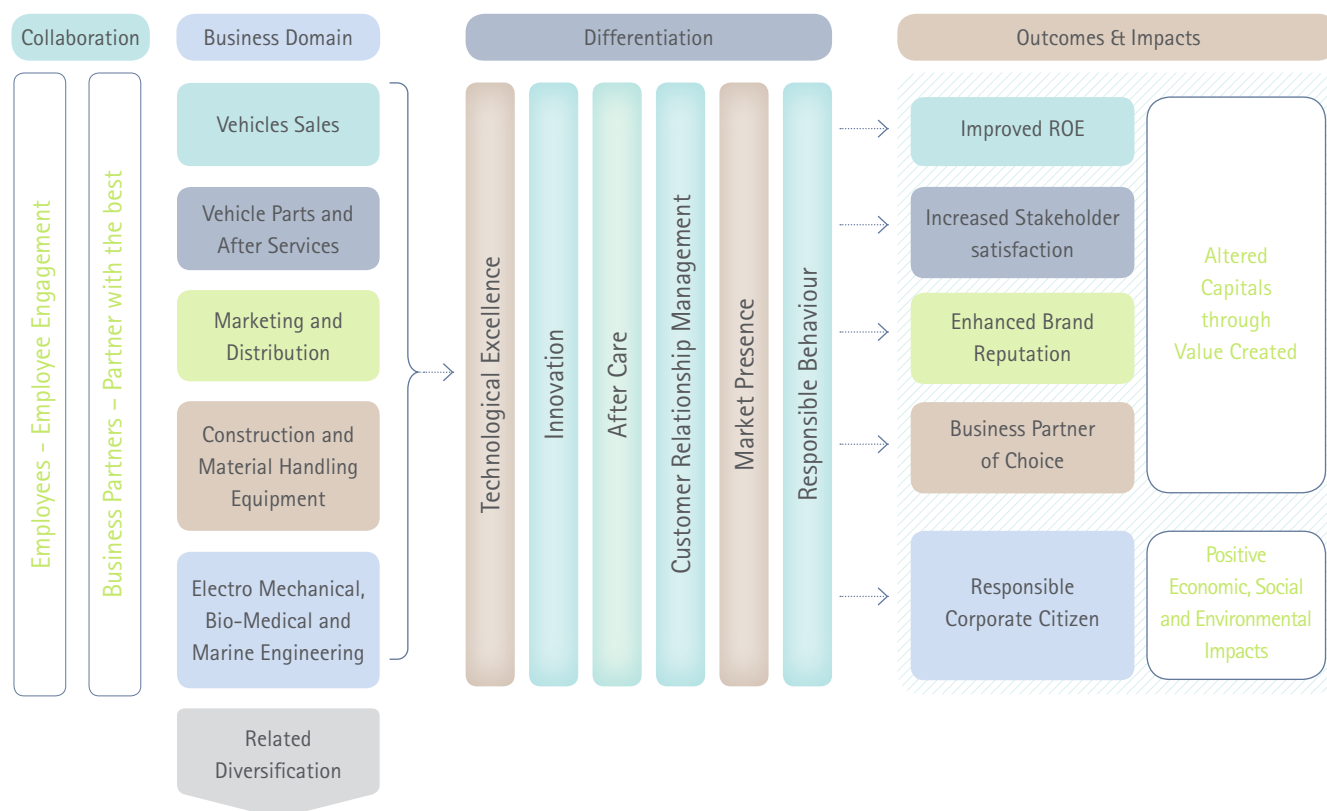
Our customers place much value on Vehicles -After Services and over the years, we have experienced the vast opportunities that come with reliable and responsible aftercare.

Our market presence helps us to enable easier access for our customers thereby enhancing the intimacy of our relationship with them.

We go the extra mile to ensure that we act responsibly in everything we do - this builds trust with customers and all stakeholders.

While we seek competitive advantages in our existing business segments as described, we are progressively pursuing related diversification.

Our collaboration strategies are aimed at increasing returns to our shareholders and enhancing our value stores - our capitals. The way we do business will help us to project ourselves as a responsible corporate citizen. The resulting outcomes and impacts will in turn help us to boost our ability to create value in the medium and long term.



Stakeholder Engagement

At DIMO, engagement with stakeholders is intrinsic to the way we use our capitals to build value. Feedback from stakeholders helps to develop strategies that generate sustainable value. Their expectations and needs, which emerge from the engagement process, help us refine our products and services to ensure that we deliver sustainable value.

The stewardship role played by the Directors demands that they act responsibly towards stakeholders. Whilst the management of stakeholder expectations is a key aspect of sustainability, the management of stakeholder issues is equally important from a risk management perspective. Stakeholders such as customers, business partners and employees also form part of the non-monetized capitals. Therefore stakeholder engagement is a process that is key to many facets of our business.

Stakeholder Responsiveness

We use our quality management system, environmental management system and customer relations management system to assess and then respond to stakeholder expectations. Such responses are closely monitored and corrective or preventive action is taken where we fail to deliver on these expectations.

Stakeholder Identification

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

► The stewardship role played by the Directors demands that they act responsibly towards stakeholders. Whilst the management of stakeholder expectations is a key aspect of sustainability, the management of stakeholder issues is equally important from a risk management perspective.

The following criteria were used to identify stakeholders:

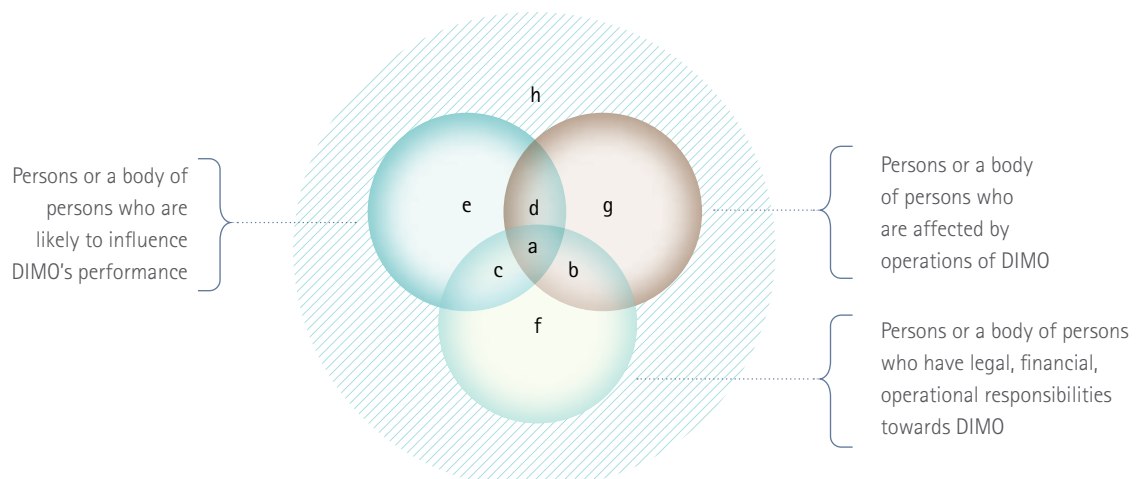
- Those who exhibited all three of the identified characteristics are regarded as the most important for engagement. (a)
- Those who exhibited two of the identified characteristics are regarded as the next most important for engagement. (b,c and d).
- Those who exhibited only one or none of the identified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

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

Stakeholder Feedback

We engage with stakeholders on a periodic basis with a view to identifying their expectations. The frequency and methods of such engagement are detailed in the table below. The major concerns raised through the stakeholder engagement process are shared with the Group Management Committee and Sustainability Committee. No major concerns warranting Board consideration or review emerged during the past year.

The methodology we adopt to identify stakeholder issues and expectations is detailed in the stakeholder engagement process presented from page 32 to 34.



Stakeholder Engagement

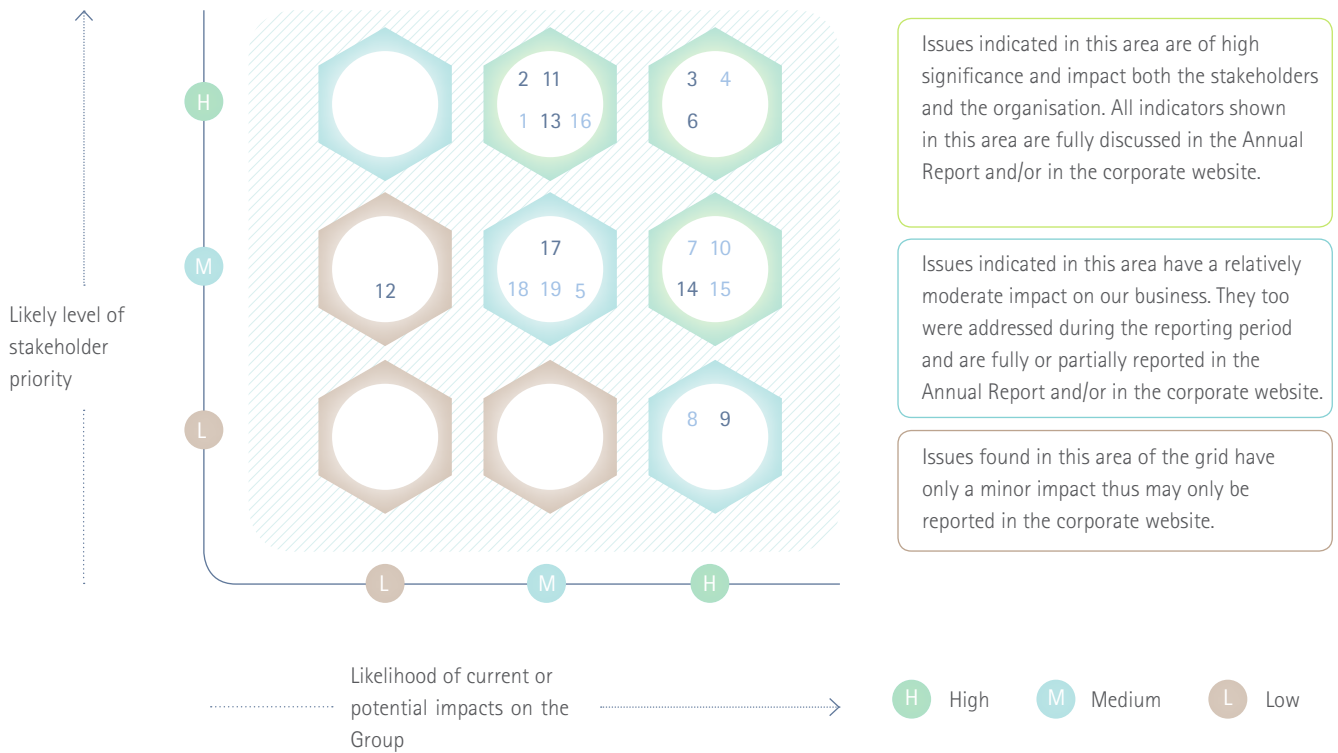
The table below illustrates how we engage with our important stakeholder groups.

Stakeholder	Engagement Method	Frequency
Shareholders <ul style="list-style-type: none"> Owners Providers of financial capital 	<ul style="list-style-type: none"> One-to-one interviews (by independent parties) Annual General Meeting provides an opportunity to review the past year's performance and engage in discussions with the management Annual Report Quarterly Financial Statements providing the quarterly Performance. Company website CSE website 	<ul style="list-style-type: none"> Once in every 3 years Once a year Once a year Every quarter Online Online
Customers <ul style="list-style-type: none"> Principal source of sustenance 	<ul style="list-style-type: none"> One-to-one interviews 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 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 Loyalty customer club (TATA Emperor, Mercedes-Benz Club & Jeep club) 24 hour roadside assistance 	<ul style="list-style-type: none"> Once in every 3 years 24 hours, 7 days Once a month/quarter Continuous 24 hours, 7 days
Business Partners & Suppliers <ul style="list-style-type: none"> Critical link in the supply chain 	<ul style="list-style-type: none"> One-to-one interview (by independent parties) 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 On-site visits from principals and on-site visits to principals' locations facilitate engagement. 	<ul style="list-style-type: none"> Once in every 3 years Continuous Continuous
Employees <ul style="list-style-type: none"> The key resource for competitive advantage and sustainable growth 	<ul style="list-style-type: none"> One-to-one interviews (by independent parties) Focus group discussions (by independent parties) Employee Council Meetings Employee Portal of the Company network accessible to every employee. Annual strategic planning meeting Company's 'Open Door' policy encourages direct employee – management dialogue Annual Employee Surveys – voluntary and confidential Individual Performance Reviews – bi-annually HR Clinics Employee reward and recognition 	<ul style="list-style-type: none"> Once in every 3 years Once in every 3 years Once a month Continuous Once a year Continuous Once a year Bi Annual Continuous Continuous
Society <ul style="list-style-type: none"> Local immediate communities Stakeholders in sustainable development Regulatory and Government agencies 	<ul style="list-style-type: none"> One-to-one interviews (by independent parties) Focus groups discussion (by independent parties) Dialogue with Religious Dignitaries Written and oral communications initiated by stakeholders Company website One-to-one interview 	<ul style="list-style-type: none"> Once in every 3 years Once in every 3 years Continuous Continuous On line Once in every 3 years

Materiality of Stakeholder Issues

Expectations and issues identified during the stakeholder engagement were rated, assigned and prioritised as shown below,

Stakeholder Issues Prioritisation Matrix



1 Emissions, effluents and waste	8 Materials consumption	14 Mutually beneficial relationships with suppliers
2 Technical education for youth	9 Anti-corruption	15 Energy consumption
3 Customer health and safety	10 Procurement practices for local suppliers	16 Employee remuneration and benefits
4 Economic performance	11 Customer privacy	17 Product and service labelling
5 Employee training and education	12 Ethical marketing communications	18 Water
6 Occupational health and safety	13 Local 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) are taken into account when updating the list of 'material issues.' The materiality analysis was updated by adding key inputs based on 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), the reasons for the shift of status and the Company's response.

Status of Material Aspects - 2015 vs 2016

Material Aspect	Issues Raised by	Status of Material Aspect	Possible Reason for the shift in status	Response
Emissions, Effluents and Waste	Society	●	Not applicable	Our Environment Management System is constantly working towards minimising emission levels and effluents. Continuous improvement is sought in these areas.
Technical Education for Youth	Society	◆	The ratio between numbers of apprenticeship opportunities given to number of employees (average) increased to 25%.	More opportunities were given to apprentices.
Customer Health and Safety	Customer	●	Not applicable	We will continue to strictly comply with health and safety aspects relating to our product portfolio.
Employee Training and Education	Employee	◆	Training hours per employee increased to 17 hours	Continuous training and development programmes conducted for the employees improved this aspect.
Occupational Health and Safety	Employee	●	Not applicable	Employee health and safety receives due importance and comes under the preview of the Head of Operational Compliance. Employee health and safety is covered in the Quality Management System.
Procurement Practices for Local Suppliers	Local suppliers/ Subcontract workers	●	Not applicable	Local suppliers should abide by the Supplier Code.
Water	Society	●	Not applicable	Procedures are in places to increase the level of water recycled/reused. Stringent waste water management systems are in place.
Ethical Marketing Communications	Customer	◆	Due care is taken in designing and executing marketing communications.	Corporate communications policy ensures strict compliance with regulations and codes concerning ethical marketing communication practices
Mutually Beneficial Relationships with Principals	Suppliers	●	Not applicable	Constant interactions and sharing of information continues. Reports to Principals will address expectations of Principals.
Energy Consumption	Society	◆	Reduction in energy usage due to energy management	The Energy saving measures are implemented across the organisation. Two major buildings are LEAD certified green buildings (Gold Category)
Employee Benefits	Employee	◆	The Company follows a policy of market competitive remuneration.	Annual wage survey revealed that DIMO wages level are at competitive levels compared to others in the industry.

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

A visible operation

Our operations are completely above board and visible to everyone. Here we look at the capitals that provide inputs, the performance of diverse business segments and our value creation activities. We also describe the economic, social and environmental impacts of our value creation activities and Risk Management which together form part of the performance dimension of Enterprise Governance at DIMO.

36	The Capitals Report
54	Business Report
62	Impact Management Report
76	Risk Management Report



The Capitals Report



37	Monetised Capital
41	Relationship Capital – Customers
45	Relationship Capital – Business Partners
47	Human Capital
52	Intellectual Capital

Monetised Capital

Key Performance Measures

Aspect	Measure	2015/16	2014/15	2013/14	2012/13	2011/12
Revenue	Turnover (Rs. million)	37,750	28,037	20,884	27,711	39,863
Profitability	Gross profit ratio (%)	17.43	18.25	20.87	15.21	18.23
	Net profit ratio (%)	2.52	2.14	1.90	1.70	6.81
Working Capital Management	Current ratio (times) at the year end	1.47	1.45	1.50	1.71	1.60
	Quick asset ratio (times) at the year end	0.56	0.75	0.70	0.72	0.36
Asset Utilisation	Fixed asset turnover (times)	4.79	3.51	3.10	4.98	8.55
Capital Structure	Debt/Equity (%) – at the year end	13.03	17.29	23.15	10.10	13.40
	Interest cover (times)	3.93	3.00	2.42	2.24	15.67

Management Approach

Monetised capital is a medium through which we transact with many stakeholders and thus remains a carefully managed capital. It represents financial, manufactured and natural capital, which are monetised and stated in monetary terms in the financial statements. The importance and easily identifiable nature of this capital requires close monitoring and management. Monetised capital, its inputs and the monetised value created from it are used to plan, manage and communicate our financial performance, management actions and financial position.

Monetised capital is a pre-requisite for both value creation and the sustainability of our business and therefore, its possession, use, management and accumulation are carefully scrutinised. The discussion relating to financial performance, management actions and financial position that follows presents a detailed description of how DIMO has created

monetised value during the year under review and the status of such monetised capital as at the end of the financial year.

The following illustration depicts the different aspects relating to monetised capital and the manner in which this review has been structured to address each of these aspects.

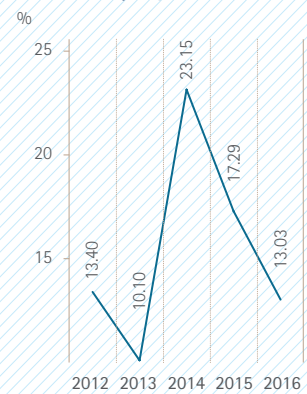
In order to bring more clarity and connectivity to the discussion, matters relating to the “management of monetised capital” have been dealt with throughout the report, in addition to discussions on the management approach and management actions.

Review of Financial Position

Capital Structure

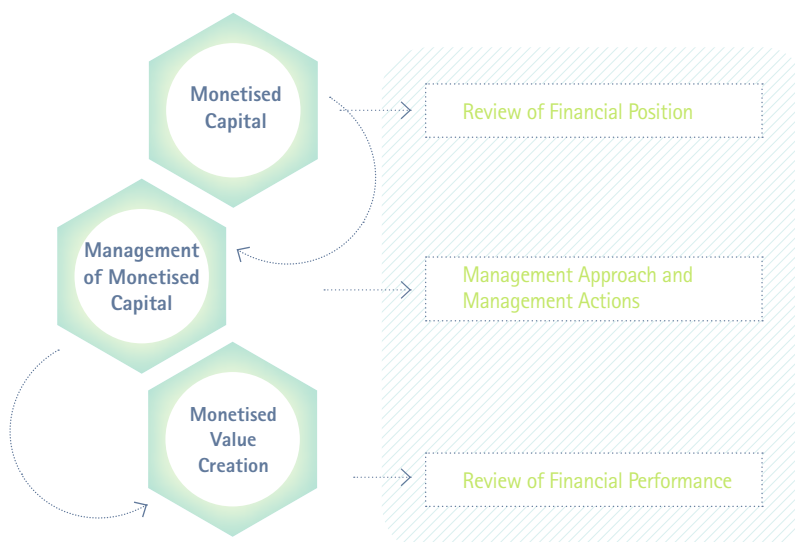
The capital structure consists of both equity and debt. Equity includes stated capital, other components of equity and revenue reserves. Debt consists of interest bearing borrowings.

Debt to Equity Ratio

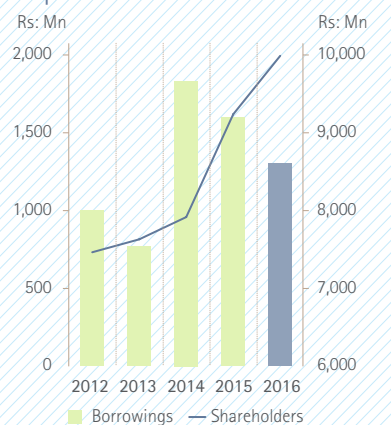


The long term debt reduced by 18% during the year (13% in 2014/15). Equity increased by 8% (17% in 2014/15). Consequently, the Group's debt to equity ratio as at the year end, which is calculated as a proportion of interest bearing long term borrowings to equity, reduced to 13% from 17% previous year.

Monetised Capital Building



Capital Structure

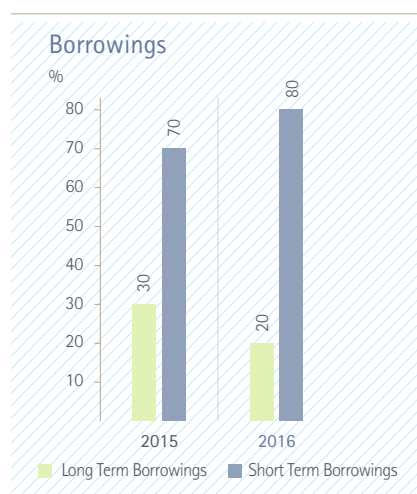


Monetised Capital

Borrowings

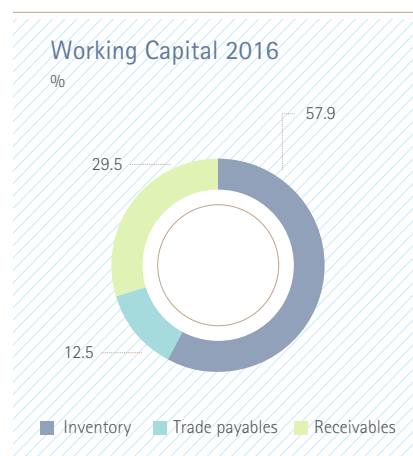
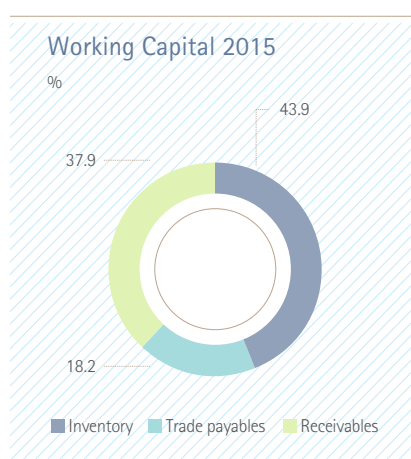
A significant part of borrowings consists of short term borrowings, including short term bank loans obtained to finance working capital. Short term borrowings outstanding as at 31st March 2016 increased to Rs. 5,180 million from Rs. 3,657 million in the previous year. This increase was partly to support the increase in inventory at the year- end.

The long term debt as at year- end reduced to Rs. 1,302 million from Rs. 1,597 million. Details of long term and short term borrowings are presented in note 4.21 appearing from page 136 to 138.



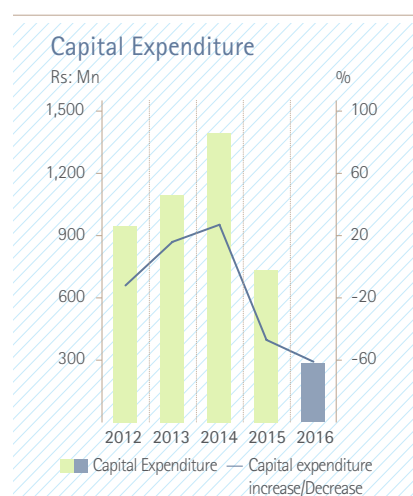
Working Capital

Inventory at the end of the year increased to Rs. 7,607 million as compared to Rs. 4,779 million in the previous year, mainly to support the increase in turnover and due to higher imports during March 2016. Trade and other receivables reduced to Rs. 3,877 million at the year-end from a corresponding figure of Rs. 4,119 million



Management Actions

The following table presents results of the management actions taken during the year.



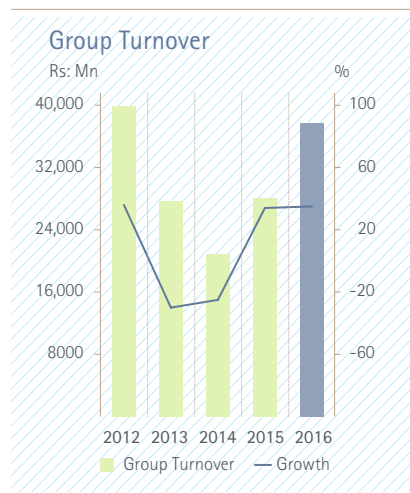
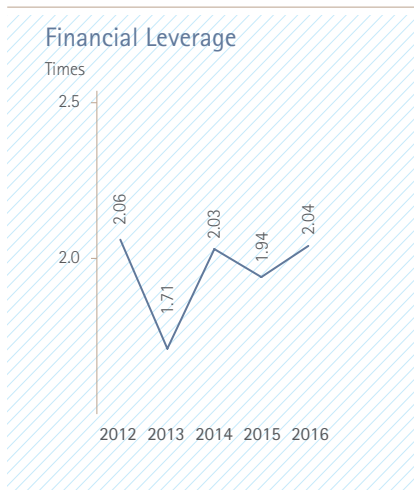
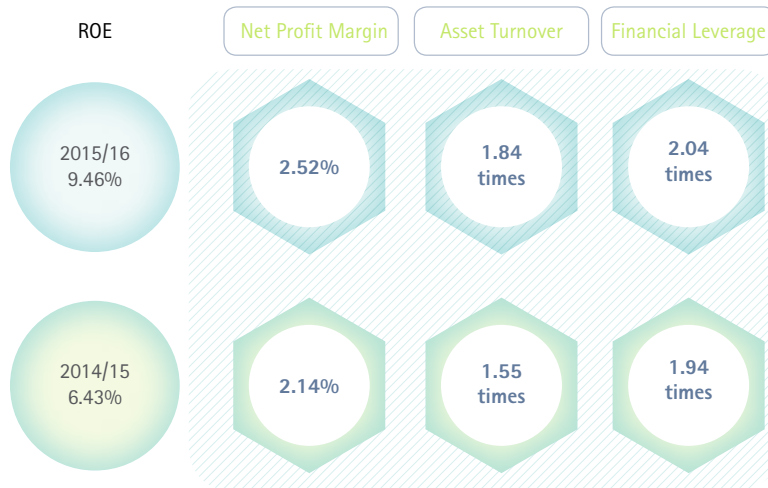
Management Action	Remarks
Investments in Property, Plant and Equipment	<ul style="list-style-type: none"> Capital expenditure on property, plant and equipment during the year was Rs. 284 million, compared to Rs. 733.2 million the previous year. The construction of the Kurunegala showroom and service facility is expected to elevate capital expenditure for the year 2016/17.
Treasury Management	<ul style="list-style-type: none"> The Group operates a central treasury function which controls decisions in respect of cash management, the utilisation of borrowing facilities, banking relationships and foreign currency exposure management. The centralised treasury function enables effective cross utilisation of funds among Business Units.
Cash Flow Management	<ul style="list-style-type: none"> Cash flow from operating activities was a net usage of Rs. 837 million (net generation of Rs. 648 million - 2014/15), which was mainly due to the increase of inventory by Rs. 2,835 million (Reduction of Rs. 86 million in 2014/15). Investing activities and financing activities recorded a net cash usage of Rs. 223 million (Usage of Rs. 677.4 million - 2014/15) and Rs. 495 million (Usage of Rs. 341 million - 2014/15) respectively.
Working Capital Optimization and Maintaining Strategic Liquidity	<ul style="list-style-type: none"> The current ratio marginally improved to Rs. 1.47 times from 1.45 times in the previous year.
Risk Management Process	<ul style="list-style-type: none"> Risk management aspects relating to monetised capital are discussed on page 78 of the Risk Management report.
Lowering of Cost of Capital	<ul style="list-style-type: none"> At the year end, our weighted average cost of capital was 6.76% (6.61% in 2014/15).

Review of Financial Performance

Improved Return on Equity (ROE)

Improved ROE is a key strategic outcome in financial value creation. It serves as an indicator of the effectiveness of the management approach.

The traditional breakdown of the ROE into net profit margin, asset turnover and financial leverage indicates favourable outcomes in all three areas compared to the previous year, as shown below:

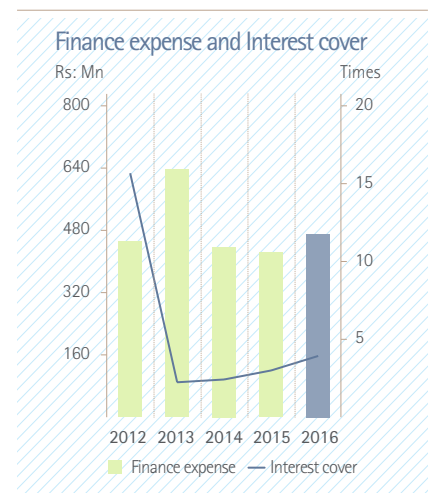


Profitability

The gross profit margin declined from 18.2% to 17.4% in 2015/16. The Construction and Material Handling Equipment segment was the main contributor to this reduction. The Group gross profit however increased to Rs. 6,537 million from Rs. 5,072 million the previous year, consequent to the increase in Group turnover.

Finance expenses

Finance expenses increased by 11% to Rs. 470 million from Rs. 423 million in the previous year. The increase was mostly due to higher short term borrowings, mainly to finance inventory. The gradual increase in interest rates during the year also contributed to the higher interest charge. The Group's interest cover improved to 3.93 times from 3.0 times in the previous year.



Turnover

The following table provides a comparison of segment and Group turnover.

Segment	2015/16 (Rs. billion)	2014/15 (Rs. billion)	% change
Vehicles Sales	27.3	18.8	45%
Vehicles- After Services	2.9	2.4	21%
Marketing and Distribution	3.8	3.3	15%
Construction and Material Handling Equipment	1.5	1.7	(11%)
Electro-Mechanical, Bio-Medical and Marine Engineering	2.2	1.8	22%
Group Turnover	37.7	28.0	35%

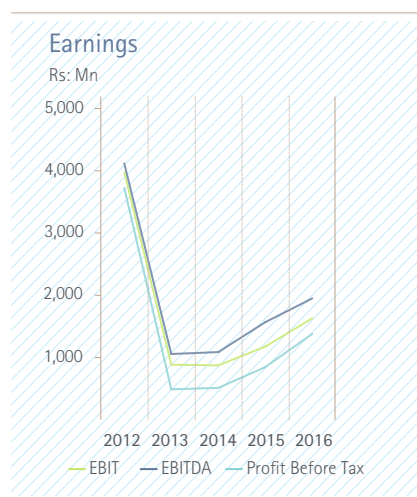
Monetised Capital

Taxation

Income tax expense for the year under review was Rs. 433.4 million (Rs. 250.9 million-2014/15). The effective tax rate (including deferred tax expense effect) on Net profit before tax increased to 31% against 30% in the previous year. The rate of income tax applicable to the Company and the subsidiaries was 28%. 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. 62 million on account of deferred tax (Rs. 98.3 million - 2014/15). A summarised computation of deferred tax is given in Note 4.23 to the Financial Statements.

Earnings

Earnings before interest and tax increased significantly to Rs. 1, 631.3 million from Rs. 1,176 million the previous year. The profit before taxation increased by 63% (65% - 2014/15) to Rs. 1,380 million from Rs. 847 million. The administrative and distribution expenses totalled Rs. 4,991 million compared to Rs. 3,948 million in 2014/15.



Earnings per share (EPS) was Rs. 106.64 compared to Rs. 67.15 at the end of last year. The computation of EPS is given in Note 4.7 to the Financial Statements. The net profit after tax increased by 59% (51% - 2014/15) to Rs. 947 million (Rs. 596 million - 2014/15).

Dividends

The Directors have approved a first and final dividend of Rs. 27 per share (first and final dividend of Rs. 20 per share - 2014/15) for the year ended 31st March 2016, which will be paid on 10th June 2016. The gross dividend amounts to Rs. 239.7 million (Rs. 177.5 million - 2014/15). The dividend payout ratio for 2015/16 is 25.3% compared to 29.8% in 2014/15. The dividend cover applicable to the financial year was 3.95 times (3.4 times in 2014/15).

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

Financial Priorities

Rapid economic development will present many opportunities and it is important that the Group is in a state of readiness to harness these. The following have therefore been identified as financial priorities for the Group in the medium term:

- Financial investment in capacity-building, in order to drive growth.
- Optimising profitability through value addition and the 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.

Relationship Capital – Customers

Key Performance Measures

Aspect	Measure	2015/16	2014/15	2013/14	2012/13	2011/12
Customer service	No. of CRM personnel	35	39	30	35	42
Customer convenience	No. of customer interaction points	60	57	56	52	40
	No. of business locations in the North and East	6	7	7	8	4
Customer satisfaction	Average Customer Satisfaction Index (%)	88	90	88	86	89

Management Approach

Relationship capital – made up of customers and business partners – has an important role in the DIMO value creation process.

Customers, and our interactions with them, thus have a strong influence on sustaining and enhancing DIMO's relationship capital. We believe that the new business environment requires companies to shift from being product-centric to being customer-centric. At DIMO, customer capital thus goes beyond long-term customer relationships to be viewed as an asset that is a source of organizational competitiveness.






The contribution of customers to current and future revenues is therefore fundamental to assessing how successful DIMO is at transforming customer relationships into a sustainable competitive advantage.

What we offer

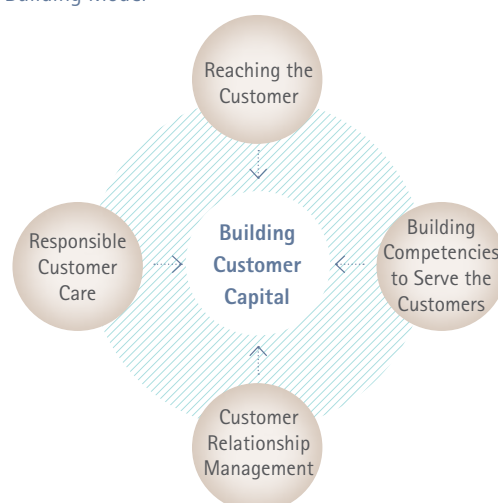
Our approach to sustaining and enhancing customer capital involves managing customers' experiences and superseding their expectations with our products and services. Understanding customer needs and aspirations allows us to gear our supply chain better to ultimately deliver products that satisfy the customer. This is underpinned by our focus on regular engagement, product safety and ethical marketing.

DIMO serves customers with a varied, differentiated, technologically advanced and diversified product portfolio representing 95 top global brands from 85 principals, some of whom are Fortune 500 companies. 98% of the Company's customer base are direct customers while 2% are channel partners.

Customer Profile

	Individual customers %	Small & Large Private organizations %	Government Organizations %	Leasing companies %	Channel Partners %
 Vehicles Sales	74	18	7	1	-
 Vehicles After Services	77	16	6	1	-
 Marketing and Distribution	10	3	2	-	85
 Construction and Material Handling Equipment	16	8	76	-	-
 Electro Mechanical, Bio-Medical and Marine Engineering	12	20	68	-	-

Customer Capital Building Model



Reaching the Customers

DIMO reaches its existing and potential customers across multiple platforms. Our nationwide branches, dealerships and service points make up one of the largest, most modern automobile networks in Sri Lanka. This network is supported by a mobile sales team, which reaches customers who do not have close access to our customer points.

Relationship Capital – Customers

Customer Interaction Points

Western Province

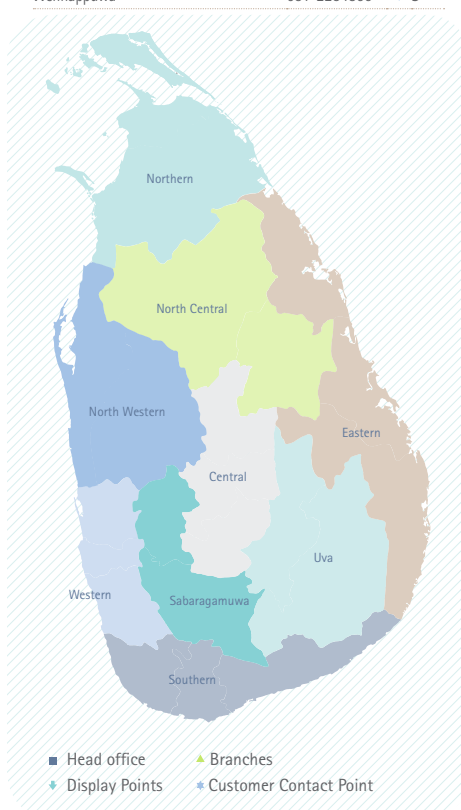
Head Office	011-2449797	■ 3S
DIMO Mart	011-4360014	▲ S
MB Center	011-4448989	▲ 3S
Medical Engineering & Power Engineering Solutions	011-4607100	▲ 3S
Total Marine Solutions	011-4602000	▲ 3S
Tyres, Power Tools sales & tools service	011-4645141	▲ 3S
Siyambalape Complex	011-2400670	▲ SER
DIMO Logistics Centre	033-4934753	▲ 3S
TATA Passenger Car Workshop	011-4645487/88	▲ SER
DIMO Tyre Mart	011-4501035	▲ 3S
Gampaha	033-4641034	◆ S
Yakkala	033-4641004	◆ S
Awissawella	036-4641002	◆ S
Piliyandala	011-4376943	★ S
Horana	034-4947836	★ S
Kuruna	031-4641026	★ S
Moratuwa	011-4645735	★ S
Agri Machinery sales	011-2449797	▲ S
Bosch Service Centre	077-3399933	▲ SER
Komatsu & KSB Sales	011-2449797	▲ S
Mathugama	034-4941129	★ S
Padukka	011-4645754	★ S
TATA Showroom	011-2449711	▲ S
TATA Spare Parts Showroom	011-4602100	▲ S
Construction Spare parts Sale center	011-4645384/5	▲ S
DIMO Lighting	011-4501270	▲ S

North Central Province

Anuradhapura	025-2223025	▲ 3S
Padaviya	025-4928867	★ S
Polonnaruwa	027-4641008	◆ S
Tambuttegama	025-4641015	★ S
Anuradhapura TATA Work shop-Accident Repair	025-2223025	▲ SER

North Western Province

Kurunegala	037-4697800	▲ 3S
FMC Project/Holcim Quarry-	0773 602883	▲ SER
Puttlam	032-4930526	◆ 3S
Nikaweratiya	037-4944378	◆ S
Chilaw	032-4501367	★ S
Kuliyapitiya	037-4501009	★ S
Wennappuwa	031-2254866	★ S



Northern Province

Jaffna	021-4923672	▲ 3S
Vavuniya	024-4925009	◆ S
Mannar	023-4920459	★ S

Eastern Province

Trincomalee	026-4641020	▲ 3S
Batticaloa	065-4927345	★ S
Ampara	063-4923406	▲ S

Central Province

Kandy Branch -Katugastota	081-4940829	▲ S
Kandy Branch Work Shop -Balagolla	081-4950445	▲ SER
Dambulla	066-4928283	◆ S

Sabaragamuwa Province

Rathnapura	045-4928620	▲ 3S
Embilipitiya	047-4931050	◆ S
Kegalle	035-4641007	★ S

Uva Province

Monaragala	055-4641012	★ S
Mahiyanganaya	055-4641022	◆ S
Welimada	057-4200100	★ S

Southern Province

Matara	041-4929378-9	▲ 3S
Na Sevana Technical Institute	047-4641022	▲ SER
Ambalangoda	091-4941158	◆ S
Tissamaharama	047-4932442	◆ 3S
Ambalantota	047-4934019	★ S
Galle	091-4501004	★ S
Moravaka	041-641060	★ S

3S Sales, Service & Spare Parts
S Sales
SER Service

Building Two-Way Communication

DIMO has forged several strategic initiatives to understand market dynamics and to hone in on what really matters to customers. We delve deep into what drives customers' decisions and actions, their 'pain points', the differences among customer segments, and the changes in markets and consumer behaviour.

We use many tools to create interaction, including requests for feedback, online and offline customer surveys, e-newsletters, and social media engagement. Our online presence encompasses a state-of-the-art web site and Facebook page; we have noted a steady growth in the visits to both pages, as shown in the online access statistics below:

Period	Website (Visits During the Year)	Facebook (Likes as at 31st March)
2015/16	1,338,061	318,097
2014/15	1,219,446	201,469
2013/14	700,074	141,543
2012/13	514,253	18,965

24 x 7 Assistance to Our Customers

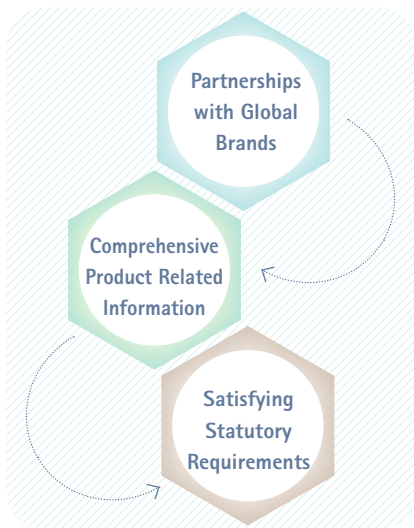
Our 24 x 7 roadside assistance patrols are available to help customers in any part of the country. A Mobile Tyre and Battery team is available to assist customers 24 x 7 in the case of a flat tyre or low battery.

Responsible Customer Care and Management

Product responsibility - Taking responsibility for our products and for customer Health and Safety

Product Labelling

All products carry comprehensive labelling which, at a minimum, conforms to all statutory requirements. Such product related information includes catalogue references, user manuals, diagrams, pictographs, expiry dates, standardization code numbers and warnings on possible environmental impacts as well as quality certification stamps. We adopt the guidelines of our principals and globally accepted best practices to ensure the highest levels of safety in our after care process. There were no reported cases of breaches of product and service labelling regulations during the year.



Marketing and Communications

Our marketing communications are guided by the principles of ethical business and must always be transparent, accurate and honest, in keeping with the DIMO Communications Policy. We strive to build trust and protect brand value through our communications and draw guidance from best practices observed by our principals. Customer rights are ensured through the legitimate use of customer-centric data and secure data storage. There were no breaches of policy or any instances of statutory non-compliance in the year under review.

Ensuring the Highest Levels of Safety

Our products carry the highest levels of safety and conform to industry standards on health and safety. The Group's ISO 9001:2008 accredited Quality Management System ensures that safety levels are stringently followed across the organisation. As a policy, we partner with suppliers reputed for high safety standards and product testing. These measures have ensured that there were no breaches of health and safety standards in the year under review.

Customer Relationship Management

The Customer Relationship Management team is DIMO's frontline interface for customers and business partners. The team's operations have expanded over the years from conducting customer voice surveys to handling customer inquiries, customer complaint handling and feedback, routing of after sales queries, telemarketing campaigns and other market/customer oriented surveys.

Customer Relationship Management

1. Coordination with regard to customer complaints
2. Validation of the customer data base
3. Coordination and co-operation the customer centric events
4. MB Credit card
5. Branch visits and educating the staff on complaint handling and management processes
6. Documentation of customer complaints and feedback



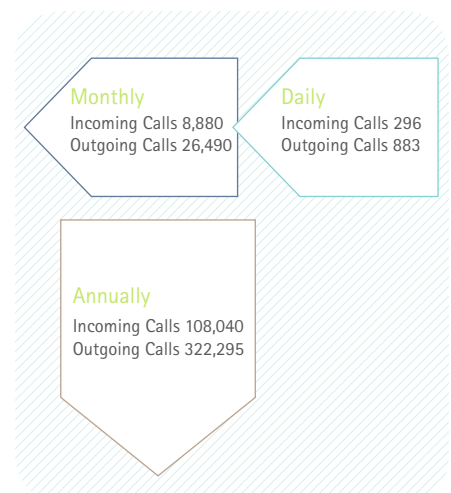
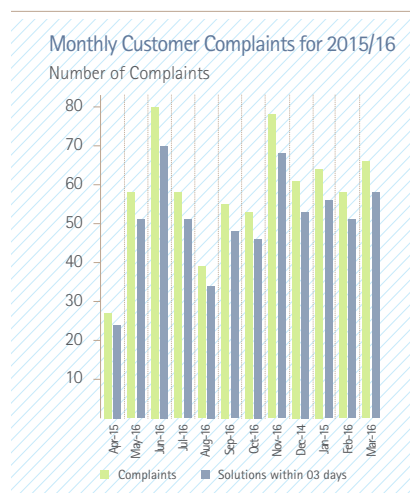
1. Daily data analysis generated from the call centre
2. Bulk SMS
3. Customer data base cleansing
4. Compiling of daily weekly and monthly reports

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

We invested further in enhancing our customer service capability by establishing a central customer contact centre which operates 24 x 7.

Customer Complaints

During the year under review the CRM division received 697 customer complaints. Of this, 609 were resolved within three working days. The remaining cases were also resolved, even though the level of complexity resulted in resolutions taking more than three days.



Relationship Capital – Customers

Repeat Purchases

A customer who transacts with DIMO more than once during a four-year period, is considered a repeat customer.

Repeat Purchases

Description	2015	2014	2013	2012	2011
Total base-unique customers	15,570	9,879	10,907	17,749	10,676
Repeat-same year	47	39	25	44	339
Repeat-from 2011	302	254	225	525	
Repeat-from 2012	403	327	356		
Repeat-from 2013	294	248			
Repeat-from 2014	414				
Total repeat (Excl. Same year repeat)	1,413	829	581	525	-
Repeat (Excl. Same year repeat)	9.08%	8.39%	5.33%	2.96%	-

Level of Customer Satisfaction

This year too we conducted rigorous research to understand our customers' individual needs and preferences. We listen closely to what our customers tell us and track and monitor their opinions to unravel their expectations.

In order to measure satisfaction levels, our CRM team gauges customers' overall perception of our products and services while internal surveys are conducted to measure customers' experience when dealing with DIMO directly.

Customer Satisfaction Index (CSI)

Market Segment	Weighted Average CSI (%)		
	2015/2016	2014/2015	2013/2014
Vehicles Sales	88	87	90
Vehicles After Services	85	84	85
Marketing & Distribution	86	91	86
Construction & Material Handling Equipment	90	88	90
Electro Mechanical, Bio Medical & Marine Engineering	92	93	88

Building Competencies to Serve the Customers

DIMO's human resource strategy is focused on building customer-centric teams. Upon joining DIMO and during orientation, every employee is introduced to 'Customer Focus' as a key corporate value. This value is reiterated as the employee progresses up the ladder of responsibility. It is constantly emphasised through employee training for both in-house and external training modules which dwell on the value of responding to and engaging with customers.

Extensive training is carried out to equip our tribe members to serve the customer better. Given below are statistics related to training in this area.

Training of Sales and Service Staff

Year	Sales staff		Service Staff	
	Number of Persons Trained	Number of Training Hours	Number of Persons Trained	Number of Training Hours
2015/16	703	6,284	2,592	20,451
2014/15	1,224	7,297	2,432	16,739
2013/14	638	3,873	1,900	16,146
2012/13	717	4,480	1,677	14,779

Customer Association and Loyalty

DIMO has implemented a customised customer association and loyalty programme. While seeking customer goodwill these programmes, also offer rewards to customers. Some of the prevailing customer association programmes that promote loyalty are the Mercedes-Club of Sri Lanka, Jeep Club of Sri Lanka, and the TATA Emperor Customers & Driver's club.



Relationship Capital – Business Partners

Key Performance Measures

Aspect	Measure	2015/16	2014/15	2013/14	2012/13	2011/12
Relationship with Principals	No. of principals	95	77	77	81	78
	No. of relationships above 50 years	7	7	7	6	6
	No. of relationships between 25 to 50 years	9	9	8	10	9
	No. of relationships between 01 to 25 years	60	52	54	58	55
	No. of new relationships commenced during the year	19	9	8	7	8
Relationship with local suppliers	Payments to local suppliers (Rs.billion)	5.3	4.3	5.3	4.7	4.5

Management Approach

Relationships with our business partners are a key driver of value and an important part of our corporate strategy. Business partners constitute one part of our relationship capital, the other part being the customer relationships. We consider relationship capital as one of our non-monetized capitals.

Our relationship with business partners is part of our corporate strategy, as shown more clearly in the 'strategy illustration' on page 30. Collaboration with our business partners produces the differentiation we strive for and

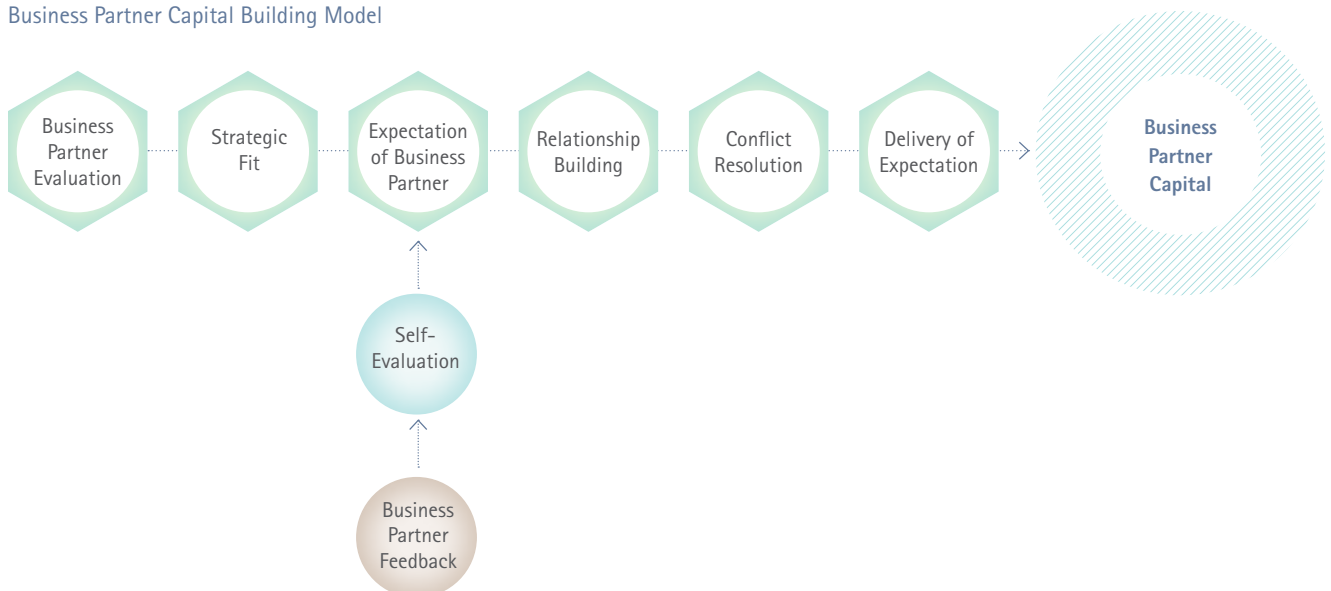
consequently, generates more effective and sustainable outcomes for DIMO. We add further value to the products and solutions supplied by our business partners and this enables us to offer unique value propositions to our customers.

We partner only with those who share our core values. Once we begin a relationship with a business partner, high priority is given to managing every aspect of that relationship in a mutually beneficial manner. This approach has enabled DIMO to secure enriching relationships with local and global business partners.

Relationship building is central to building Business Partner Capital. This is preceded by identifying their expectations and identifying the processes through which those expectations are best met. This is explained in greater detail in the model below.

Our corporate strategy then focuses on nurturing and growing this capital as a strategic resource. Products and solutions responsibly sourced from responsible providers and blended with DIMO's expertise enable us to offer unique value propositions to our diverse customer base.

Business Partner Capital Building Model



Building Long-Term Relationships

Building long-term relationships is a key aspect of how we grow our relationship capital. Over our 76 year history, DIMO has built strong relationships with several business houses: all trailblazers in their respective fields. We consider it essential that we find a 'strategic fit' when commencing a relationship with a business

partner. Apart from financial benefits, there must be a congruence of business philosophies and a meeting of business minds.

Three important ideas have shaped our relations with our business partners: Shared Values, Trust and Longevity. These values have been the basis of long-term mutually rewarding partnerships.

All our business relationships must seek to create value responsibly. We seek relationships with those who are leaders and who provide the ingredients for enduring relationships with customers.

Relationship Capital – Business Partners

► We partner only with those who share our core values. Once we begin a relationship with a business partner, high priority is given to managing every aspect of that relationship in a mutually beneficial manner. This approach has enabled DIMO to secure enriching relationships with local and global business partners.

Strong relationships cultivated over many years with the world's best, have enabled us to deliver on our strategic approach of collaboration while offering unique solutions and products to diverse groups of customers.

9 of our Business Partners are featured in the "Fortune 500" list published in 2015.

Technological Excellence

Technological excellence is a vital factor in creating differentiation and consequently, in building value. Over the years, DIMO has sought to partner with technologically accomplished and sophisticated businesses. Such partnerships enable us to deliver the most advanced products, state-of-the-art solutions and the best of modern technology to our customers.

Ethical Business Needs Ethical Business Partners

DIMO's commitment to ethical and responsible business has meant that we have always sought business partners with a similar outlook. Our business partners are law-abiding, compliant, responsible to their stakeholders, and share our corporate values. Our business partners are committed to environmental protection, respect labour standards, promote human rights, foster equal opportunity, do not condone corruption and anti-competitive behaviour, and ensure occupational safety at the workplace. These values have been integrated in DIMO's Supplier Code and our suppliers are required to conform to these values and integrate them into their own supply chains.

Managing Expectations

We ascertain the expectations of business partners at the beginning of the relationship and at periodic intervals thereafter. This is supplemented by an annual survey with a

sample of business partners, designed to measure their satisfaction levels.

DIMO's value creation process includes the use of independent third-party stakeholder surveys such as interviews with business partners. These surveys are aimed at generating candid feedback on the state of the relationship between the partner and the company, and on how these relationships could be further developed and strengthened.

Grievance Management in the Supply Chain

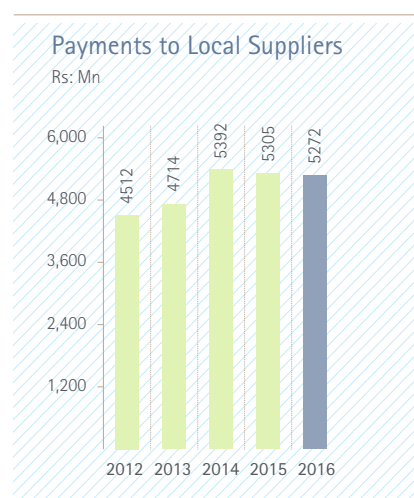
Grievances, if any, are resolved speedily. We have reduced the space for conflict through regular feedback and open communication with partners. The company has a constructive and critical engagement with all of its partners. It is an engagement that is forward looking and solution-oriented and aims at strengthening and growing the relationship. A report submitted by DIMO annually, provides a platform and an opportunity to identify and discuss expectation gaps.

Local Suppliers

We prize local value addition as it makes a positive impact on the country's economy. Similar to our relationships with foreign principals, we seek enduring long-term relationships with our local business partners who are leaders in their respective fields.

It is important that our local business partners share our business values and meet the same environmental and social standards we set for ourselves. We seek partners who share our commitment to doing business responsibly. We seek their compliance with our Supplier Code commitments, including those on occupational health and safety at their workplaces. Periodic health and safety evaluations are carried out to ensure that our sub-contractors observe the requisite health and safety standards at their respective workplaces.

As of 31st March 2016, 22 out of 38 major suppliers had committed to upholding the DIMO supplier code. A total of Rs. 5.3 billion was paid to local suppliers during the year 2015/16 (Rs. 4.3 billion in 2014/15) in aspect of goods and services provided.



Longevity of the Relationship with Business Partners

The table below summarizes the length of the relationships with our Local Business Partners:

Longevity of Relationships with Foreign Principals

Relationship in number of years	2015/16	2014/15
Relationship more than 50 years	7	7
Relationship between 25 to 50 years	9	9
Relationship between 1 to 25 years	60	52
New Relationships	19	9
Total Business Partners	95	77

Human Capital

Key Performance Measures

Aspect	Measure	2015/16	2014/15	2013/14	2012/13	2011/12
Employee attrition ratio	Employee turnover as percentage of average employees (%)	17.5	17.10	17.20	21.81	21.10
Gender distribution	Female employees as a percentage of total employees	11	11	10	10	11
Age distribution	Percentage of employees below 40 years of age	78	81	79	79	81
Employee satisfaction	Employee Satisfaction Index (%)	62.04	62.38	61.10	53.46	62.7
Knowledge and skills development	Average training hours per employee	17	15.65	13.10	16.00	13.52

Management Approach

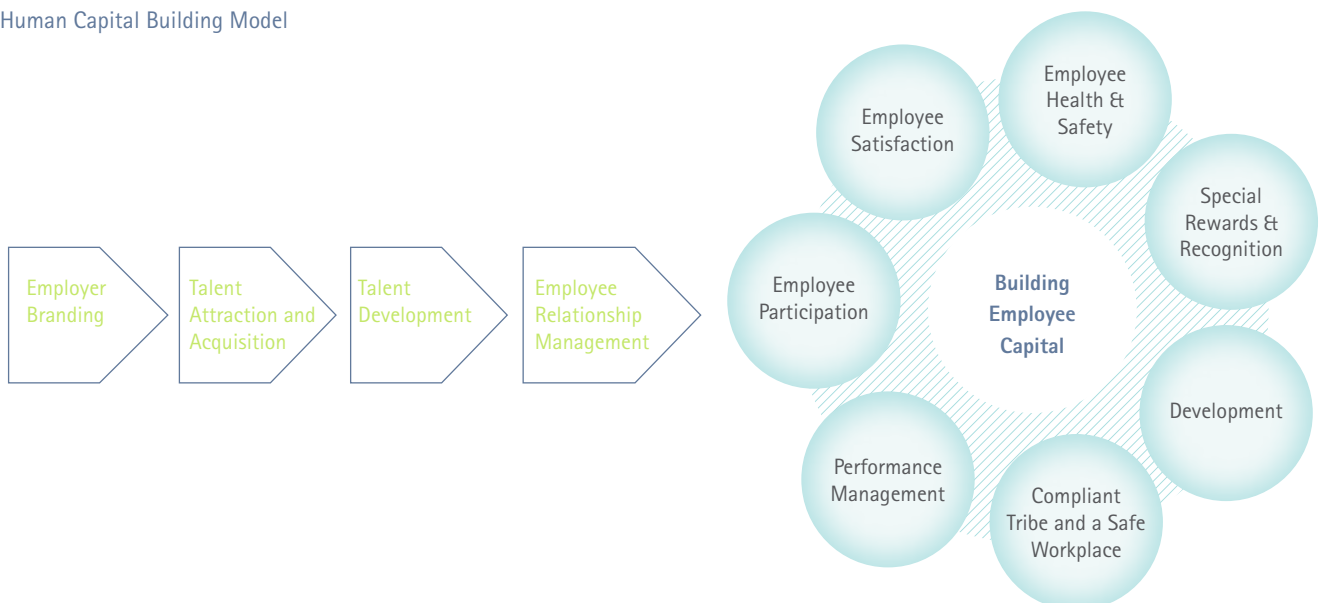
Employees are our Human Capital. Human capital provides vital inputs for value creation at DIMO, as shown in our value creation model. The impact that human capital has on value creation depends largely on its skills, levels of motivation and level of engagement with the Company. To maximise the impact of human capital, we have focused on growing capacity, triggering motivation and securing higher engagement process.

Human Capital is also an important part of DIMO's collaboration strategy as shown in the strategy illustration, appearing on page 30. We seek collaboration with our employees as part of our corporate strategy.

➤ The Company has multiple initiatives in place to attract, develop and retain talent, and thereby building the capacity and quality of our human capital. We will continue to improve these initiatives and their effectiveness. We will also continue investing in improving employee engagement. A special effort will be made to increase the number of female employees to narrow the gender ratio.

Understanding employee demands and aspirations, and ensuring transparency in our dealings with employees, are fundamental to maximizing the potential of human capital. These two aspects are accorded high priority at DIMO. In fact, our strategic principles include 'Making work enjoyable and rewarding' and 'Ensuring that 'employees come first'.

Human Capital Building Model



Human Capital

Employee Demographics

There were 1,573 employees on our payroll as at the end of March 2016. This was a 2.48% increase over the previous financial year. Our employees represent all geographical regions and all social groups. The male: female ratio is 9:1 and is an area identified for improvement.

Number of Employees by Age Group and by Gender

Description		Age											
		<20		21-30		31-40		41-50		51<		Total	
		2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Board of Directors	M									7	7	7	7
	F												-
Group Management Committee	M							3	4	2	2	5	6
	F							1	1			1	1
Senior Management	M			1	1	22	20	15	13	8	6	46	40
	F					3	2	1				4	2
Middle Management	M			65	66	105	88	27	27	17	17	214	198
	F			11	9	14	16	5	5	5	4	35	34
Executive	M			126	140	195	177	66	61	43	34	430	412
	F			30	32	15	14	6	7	6	5	57	58
Clerical/Supervisory	M	10	8	209	200	103	104	29	24	13	13	364	349
	F			58	59	5	6	2	1			65	66
Manual	M	3	6	173	161	85	85	24	23	9	11	294	286
	F												-
Non Ex- Contract	M	4	5	18	27	3	11	6	10	18	20	49	73
	F					1	1			1	2	2	3
Total		17	19	691	695	551	524	185	176	129	121	1573	1,535

Employees by Segment

Segment	2015/16	2014/15
Vehicle Sales	324	330
Vehicle Parts and Services	556	535
Marketing & Distribution	237	245
Construction & Material Handling Equipment	106	78
Electro-Mechanical Bio-Medical & Marine Engineering	144	160
Shared Services such as Finance, HR, IT, Corporate Communications, CRM, Legal Services and Stakeholder Interactions	206	187
Total	1573	1,535

Our flagship Automobile Training School (DATS) produces talent for the automobile and allied industries such as construction machinery. Trainees who pass through DATS have the option of joining DIMO or seeking employment elsewhere. The Company also provides training to students from professional institutes, universities and vocational training institutes. Such trainees are a good source of human talent once they complete their studies.

Employer Branding

In the present operating environment, attracting and retaining the right talent is a constant challenge. At DIMO we respond to this by branding the Company positively as a model employer and an employer of first choice. Internally, we focus on activities to project every employee as a brand ambassador for the Company. Externally, we position DIMO as an enjoyable and rewarding workplace. DIMO is a regular participant at career fairs and career guidance programmes while our Facebook page remains an important medium for communication with prospective candidates.

Talent Attraction and Acquisition

Several strategic programmes are in place to attract the best talent into our human resource pool. Our management trainee programme 'D Flash' is an exclusive programme designed to create a pipeline of future leadership. Selected young candidates are offered 24 months of structured exposure to every division of DIMO to learn the DIMO way of life and the different facets of enterprise governance and value creation.

The Group encourages the organic growth of its human capital and provides multiple opportunities for our employees to grow and enhance their careers. Employees are encouraged to apply for vacancies that arise within the Group.

Our talent acquisition process is transparent and free of bias. We aim to attract and retain the best by providing them with opportunities to grow as individuals and members of the DIMO Tribe.

Retaining Talent

Retaining talent is the second component of our human capital strategy. A number of programmes are in place to encourage talented employees to grow with the Group. Career guidance, advice on personal growth, personality development, counselling and grievance handling, are some of the measures we employ. We give due consideration to feedback from exit-interviews when fine-tuning our strategies for employee retention.

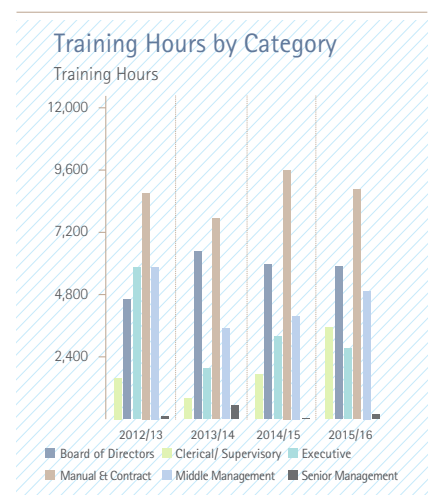
Talent Development

Our online 'Performance Evaluation System' tracks the growth of each employee as they evolve within the Group. The system helps to identify gaps and training needs, which then

form the basis of the respective supervisor's and HR division's response to support the employee's growth and aspirations.

During the year under review, 26,735 training hours (24,037 training hours in 2014/15) were provided to employees through 248 programmes, both local and overseas. The training programmes are conducted by internal and external resource persons and our foreign principals. Supervisors carry out a follow-up evaluation to gauge the impact of such training. Where relevant, employees who have undergone training are invited to share those experiences with their colleagues. The overall goal is to maximize the benefits of the training experience and disseminate it to a broader group.

'Lift Off' is a programme designed to help DIMO employees hone in on their personal goals and suitable career paths. Under the programme, employees are advised on job learning opportunities, job rotations, and offered shadowing and mentoring opportunities. The programme provides employees with a range of hard and soft skills that support career development.



Employees by Service Period

Service (Year)	Period	2015/16		2014/15	
		Male	Female	Male	Female
1-5		977	124	954	124
6-10		221	15	209	14
11-15		57	7	60	7
16-20		70	4	65	4
21-25		52	7	49	6
26-30		12	3	10	3
31-35		10	2	18	5
More than 35		10	2	6	1

The chart below details training hours by category and gender

Category	Gender	No. of Employees	No. of Training Hours	Per Employee Training Hours Per Year			
				2015/16	2014/15	2013/14	2012/13
Board of Directors	M	7	93	13.29	4.78	75.92	23.79
	F	-	-	-	-	-	-
Senior Management	M	51	1,434	28.12	31.48	14.28	65.01
	F	5	154	30.80	25.66	16.00	46.00
Middle Management	M	214	4,006	18.72	26.11	26.82	23.53
	F	35	619	17.69	10.48	20.90	24.18
Executive	M	430	7,741	18.00	19.90	14.57	17.12
	F	57	975	17.11	18.28	25.75	25.99
Clerical/ Supervisory	M	364	5,255	14.44	8.79	7.96	10.88
	F	65	610	9.39	11.87	9.13	15.13
Manual & Contract	M	343	5,845	17.04	10.64	6.47	9.16
	F	2	4	2.00	4.66	5.25	-
Total	M	1,409	24,373	17.30	15.86	12.62	15.37
	F	164	2,362	14.40	13.97	17.38	22.49
		1,573	26,735	16.99	15.65	13.10	16.00

Human Capital

Employee Relationship Management

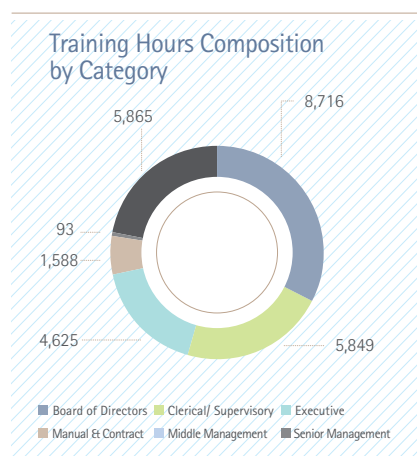
Our Employee Relationship Management (ERM) process ensures that we stay connected with our employees and remain sensitive to their needs and expectations. Managing employee expectations, managing their grievances, ensuring transparency in our processes, and effective communication are key aspects of DIMO's ERM. The following table highlights the key aspects of the process:

Employee Relationship Management Initiatives

Employees' Council	The Council has representation from each business unit, and the Group Management Committee. The Council meets monthly to discuss any employee grievances and improvements to the business. Minutes of the meetings are available on the Company intranet.
HR Clinics	Representatives from the HR division visit different locations to engage with employees and address grievances and challenges. Most of these meetings are one-on-one meetings between the employee and a representative of the HR division. The General Manager, HR, who is a member of the GMC, usually participates at these meetings. Fifteen HR clinics were conducted during the year.
The Company Intranet	The intranet, "DIMO Net" enables employees to access a wide variety of corporate material such as promotional campaigns, vacancies, Employees' Council minutes, an e-book library, e-newspapers, the Code of Business Ethics, Company policies and procedures, and other corporate events.
'Open-door' Policy	DIMO has an 'open-door' policy where any grievance can be discussed with the Chairman or the Chief Executive Officer without prior appointment.

Every year, all team members gather at 'DIMO Day' where the plans for the forthcoming year are unveiled.

DIMO also conducts several team building and motivational activities. This year's activities included quiz competitions, photographic competitions, sports days, the 'biggest loser' competition, the annual children's party, a Vesak lantern competition, and a children's art competition. We also conduct a 'Personal Financial Planning' programme every year, for those employees who are on the verge of retirement.



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

Recognizing Innovation and Commitment

Employees who make a special contribution to value creation at DIMO are recognised at our annual 'Employee of the Year' awards. The winner is singled out for a unique contribution to the Group through his or her work, ideas and commitment. Apart from an overall winner, winners are also announced in the sales, technical support and support services categories. The 'Employee of the Year' is selected by the Group Management Committee on the basis of previously published guidelines; the top prize is a TATA Nano.

In addition to the annual awards, monthly awards are given to employees for special contributions to their business units.

Awards

For the fourth consecutive year DIMO was listed among the 'Top 20 Great Places' to work in Sri Lanka. A company's ranking is based on a trust index and culture audit. Two-thirds of marks are derived from the Trust Index, which is based entirely on employee feedback with the balance coming from the culture audit, which consists of an assessment of HR practices in the work place.

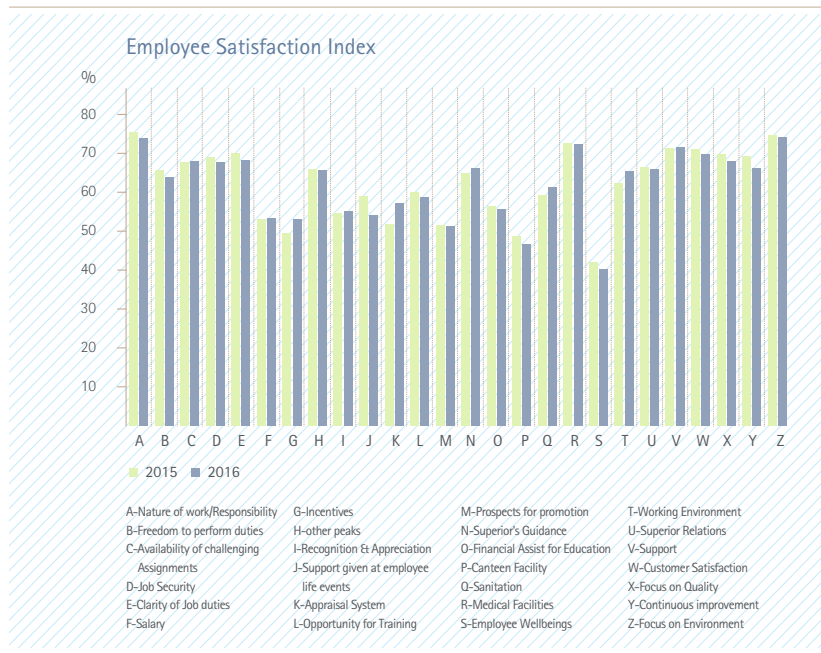
The Association of Human Resource Professionals presented DIMO a 'Gold' award last year at its biennial 'Human Resource Awards'. This award recognizes the effectiveness of our human resource practices and places us in the top 10 in the corporate world. The Company also received an award for employee relations.



Gold Award at the HRM Awards 2015

Employee Satisfaction

An annual employee satisfaction survey is conducted where employees remain anonymous when responding. The execution of the survey and consequent data tabulation are entrusted to an independent party. During the year under review, the survey attracted a response rate of 68.4 % (91% in 2014/15). The tabulated data indicated an overall satisfaction rate of 62.04 % (62.38% in 2014/15).



Performance Management

Performance reviews take place twice a year through an online appraisal system. The appraisals seek to evaluate employee performance on a number of different aspects, including achievement of personal goals, a review of competencies, and personal growth. The Group's remuneration policy prescribes competitive remuneration, while we use salary reviews conducted by independent parties to ascertain market remuneration levels.

Employee Health & Safety

Employee health and safety is a priority at DIMO; we believe a secure and content workforce enhances the quality of our human capital, which in turn helps build more value for the Group. All workplace injuries are reported to the HR division and the cause identified. Injuries are analysed and where necessary, processes and structural alterations may be made to the work place.

Employee absenteeism increased to 0.12 % during the period under review from 0.05 % in 2014-15.

The table below tracks our safety record at work:

Injuries/Diseases/Fatalities/ Lost Day/Absenteeism	2015/16		2014/15	
	Total No.	Rate (%)	Total No.	Rate (%)
Injuries	21	0.00062	24	1.09
Occupational disease	Nil	Nil	Nil	Nil
Lost working days	92	0.0027	138.5	-
Work related fatalities	Nil	Nil	Nil	Nil

Value Creation with Integrity

Employees of DIMO are expected to live by the values contained on page 52. These values demand that each tribe member is responsible, righteous, responsive, reliable, respectful and resilient.

The Group's HR Policy, Code of Business Ethics, Human Rights Policy and Whistle Blowing Policy help employees act according to the DIMO values and ensure that their behaviour is compliant with the law and ethically sound. The HR Policy and Code of Business Ethics address issues such as non-discrimination in the workplace, zero tolerance of child or forced labour, safe workspaces, strict compliance with laws and regulations, fair treatment, zero tolerance of harassment, and environmental responsibility. The Company is a signatory to the UN Global Compact that promotes ethical and responsible corporate behaviour.

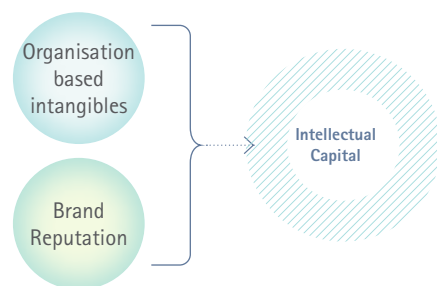
Fostering Innovation

"Idea Man" is a programme designed to foster innovation by encouraging employees to use their imaginations for sustainable value creation. Employees may forward their ideas and suggestions for innovations and improvements directly to the Chairman. These ideas are reviewed and analysed by the Group Management Committee. All employees who suggest practical ideas are recognised and rewarded. During the year under review 58 employees sent proposals to the Chairman.

Building for the Future

The Company has multiple initiatives in place to attract, develop and retain talent, and thereby building the capacity and quality of our human capital. We will continue to improve these initiatives and their effectiveness. We will also continue investing in improving employee engagement. A special effort will be made to increase the number of female employees to narrow the gender ratio.

Intellectual Capital



Intellectual Capital Building Model

Intellectual capital is enhanced through two key elements – our brand reputation and the value created by organisational intangibles such as our knowledge base and time tested processes, systems and procedures.

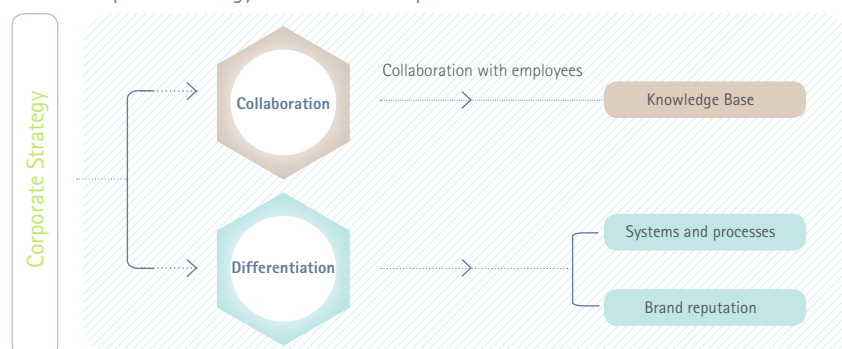
DIMO is an organisation committed to learning and service excellence; we have thus generated several assets that do not appear in the Financial Statements as they are not monetised. Our competitive strategy, collaboration and differentiation have been leading facilitators to the creation of value in the form of intellectual capital.

The diagram below elaborates how collaboration and differentiation facilitate the growth of intellectual capital through knowledge, systems and processes, and brand reputation.

Knowledge Base

During our 76 years in business, we have collaborated with employees to build a massive pool of expertise and experience, which is a key component of DIMO's intellectual capital. This pool of knowledge consists of specialised expertise in the business domain, and in capital management, risk management and impact management.

Role of Corporate Strategy in Intellectual Capital Formation



We know however that 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 maximise the value of this most important element. Knowledge sharing sessions, e-library, extensive training and human capital management tools contribute to how we manage and exploit knowledge.

We believe that knowledge used and shared also depends on the unspoken norms of behaviour that constitute DIMO's culture. It is these norms and our family friendly working environment, rather than formal systems, that shape our employees' interactions with customers, colleagues and other stakeholders..

Systems and Processes

The systems and processes that we have designed and executed over the years to implement the DIMO differentiation strategy are a critical asset in our value creation process. Often, our response to the increased pressures from the evolving business environment, competition and globalisation, involves making our systems and processes more resourceful and more flexible.

The value creation model identifies eight supporting services through which DIMO adds value to the products we represent. These are, namely, sourcing, warehousing, customer engagement, solution mapping, engineering, delivery aftercare and support services. The processes and systems through which we deliver these value-creating activities are the same systems and processes that forms part of intellectual capital and is redeployed to the value creation model under intellectual capital to enhance the value created.



Know House –
A Knowledge Management Initiative

Brand Reputation

Our brand reputation has been carefully built through the DIMO differentiation strategy. We have sought to differ from our competitors through technological excellence, aftercare, effective customer relationship management, market presence and a strong sense of responsibility.

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

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

■ The awards that we have received bear testimony to the exceptional levels of quality and excellence of our knowledge base and systems and procedures.

June 2015

Great Place to Work – 2015

- Recognised by the 'Great Place to Work Institute' That DIMO is one of the best 20 companies in Sri Lanka to work for.

Great Place to Work – 2015 – Best in Large Sized Enterprise Category – Bronze

- DIMO carried away the Bronze award under the large sized enterprise category at the "Great Place to Work" award ceremony.

September 2015

Excellence in Integrated Reporting 2015 – Gold Award

- Recognised by the Institute of Certified Management Accountants of Sri Lanka for the Excellence in Integrated Report.

October 2015

Excellence in Human Resources South Asia 2015

- Runners-up of the "Excellence in Human Resources South Asia" (excl. India) Award from by The Society for Human Resource Management of India.

December 2015

Overall Excellence in Annual Financial Reporting 2015 – Gold Award

- Awarded by the Institute of Chartered Accountants of Sri Lanka for the best Annual Report.

Integrated Reporting – Gold Award – 2015

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

Annual Report 2015 – 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.

Corporate Social Responsibility Reporting Award 2015 – Gold

- Awarded by the Institute of Chartered Accountants of Sri Lanka for the Best Corporate Social Responsibility Report.

Best Disclosure on Capital Management

- A special recognition by The Institute of Chartered Accountants of Sri Lanka for the best disclosure on Capital Management in the Annual Report 2014/15.

Management Commentary Award 2015 – Bronze

- Awarded by The Institute of Chartered Accountants of Sri Lanka for the Management Commentary in the Annual Report 2014/15.

January 2016

Integrated Reporting – Gold Award – 2015

- Recognised by South Asian Federation of Accountants as the winner for Integrated Reporting in South Asia.

February 2016

ACCA Sustainability Reporting Award 2015 – Overall Winner

- Awarded by ACCA for the best Sustainability Report.

ACCA Sustainability Reporting Award 2015 – Diversified Conglomerates – Winner

- Awarded by ACCA for the best Sustainability Report in the category of Diversified Conglomerates.

March 2016

Distributor of the Year 2015 – Winner

- Recognised by TATA Motors Limited as the "Distributor of the Year" at the Annual Distributor's Awards 2016 (excl. India).

Highest Sales 2015 – Small Commercial Vehicles – Winner

- The Annual Distributor's Awards 2016 hosted by TATA Motors Limited recognised DIMO for the highest sales recorded in Small Commercial Vehicles (excl. India).

Highest Sales 2015 – Pickups – Winner

- The Annual Distributor's Awards 2016 hosted by TATA Motors Limited recognised DIMO for the highest sales recorded for TATA Pickup Model (excl. India).

Highest Growth in Market Share 2015 – L and ICV Trucks – Winner

- The Annual Distributor's Awards 2016 hosted by TATA Motors Limited recognised DIMO for the highest growth in Market Share for L and ICV Trucks (excl. India).

Highest Growth in Market Share 2015 – M and HCV Trucks – Winner

- The Annual Distributor's Awards 2016 hosted by TATA Motors Limited recognised DIMO for the highest growth in Market Share for M and HCV Trucks (excl. India).

Best Key Account Process Implementation 2015 – Winner

- The Annual Distributor's Award 2016 hosted by TATA Motors Limited recognised DIMO for the Best Key Account Process Implementation (excl. India).


Distributor of the Year 2015 – New Product Introduction

- Recognised by TATA Motors Limited as the "Distributor of the Year – New Product Introduction" at the Annual Distributor's Awards 2016 (excl. India).

Distributor of the Year 2015 – Network Development

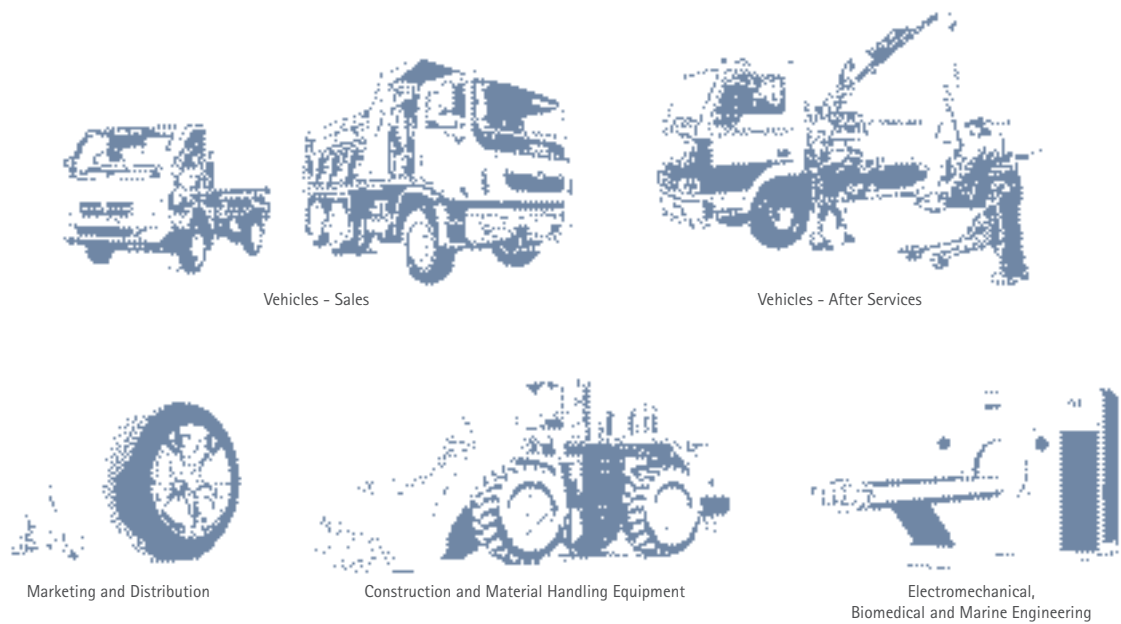
- Recognised by TATA Motors Limited as the "Distributor of the Year – Network Development" at the Annual Distributor's Awards 2016 (excl. India).

Business Report



This section brings the reader an overview of each of our business segments, describing our portfolio of products and services, business performance and 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 here.



Economic Environment

Indicator	Relevance to DIMO	Measure
GDP growth rate	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 4.8% in 2015 compared to a growth rate of 4.9% in 2014. According to the Central Bank of Sri Lanka GDP is expected to expand by 5.8% in 2016 and by 6.3% in 2017.
Interest rates	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), increased from 7.01% at the commencement of the year to 9.19% as at 31st March 2016.
Inflation rate	Low inflation rates lead to higher real disposable income amongst customers.	As at the end of March 2016 year-on-year and annual average inflation was recorded at 2.0 % (2.5% in 2014) and 1% (0.1% in 2014) respectively.
New motor vehicle registrations	Number of new motor vehicles registered is an indicator of the Market size for Motor vehicles	Vehicle registrations (all vehicles) increased by 55.7% to 668,907 vehicles from 429,556 vehicles in the previous year.
Transportation sector growth	Growth in transportation sector has an impact on the Vehicles business.	In 2015 the transportation sector grew by 5.5 % compared to 3.6% in 2014.
Construction Sector Growth	The growth in this sector is an indicator of the market potential for Construction & Material Handling related businesses	The construction sector contracted by 0.9% in 2015 compared to a growth of 6.6% in the previous year. The slowdown in large-scale infrastructure projects was a major factor for this decline.
Health sector capital expenditure	Government sector and the private sector are customers of the Bio-Medical Engineering business. The health sector Capital expenditure of Government and the private sector investments are key indicators of growth for the Bio – Medical Engineering business.	Health sector capital expenditure increased from Rs. 22.3 billion in 2014 to Rs. 37.2 billion in 2015 and the number of Private Hospitals registered with the Private Health Service's Regulatory Council was 241 in 2015 against 221 in 2014.
Industrial sector growth	Industrial sector is a key target segment for DIMO.	The industrial sector recorded a growth of 3.0% in 2015 compared to 3.5 % in 2014.
Water and energy	Government investment in water and energy has an impact on the fortunes of the Power Engineering and Fluid Management businesses.	Capital expenditure by National Water Supply and Drainage Board decreased to Rs.27.5 billion in 2015 from Rs. 35.6 billion in 2014. Total Electricity Generation in 2015 increased by 5.9% to 13,090 GWh, from 12,357 GWh in 2014.

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 and agri machinery. DIMO is proud to partner some of the world's best known brands including Mercedes Benz, Chrysler, Jeep and TATA.



Key Principals and Relationship

Daimler AG	77 Years
TATA Motors Ltd	55 Years
Mahindra & Mahindra Ltd	26 Years
Claas Agricultural Machinery pvt Ltd	13 Years
FCA International Operations LLC	12 Years

Product Portfolio

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

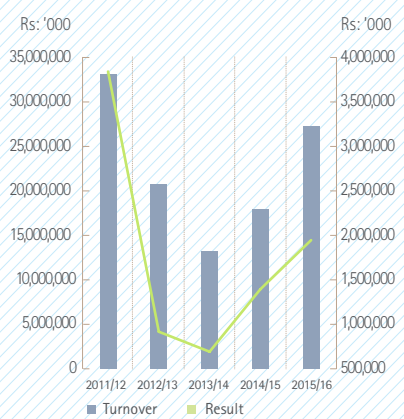
Outlook

Upward trend in interest rates, fluctuations in exchange rates, imposition of 70% LTV (Loan To Value ratio), and prevailing high tariffs on vehicles may impact on the demand for commercial vehicles and passenger cars in the short term.

Key Impediments

- Competition from grey imports
- Frequent changes in import duty structure
- Introduction of 70% LTV

Segment Turnover and Segment Results



Segment Turnover

RS. '000	
2015/16	27,282,880
2014/15	18,797,585

Segment Results

RS. '000	
2015/16	1,946,405
2014/15	1,394,122

Lead Capitals

- Relationship Capital
- Monetised Capital

% Contribution to Group Turnover

2015/16	72%
2014/15	67%

Monetised Capital Directly Employed

RS. '000	
2015/16	6,280,762
2014/15	3,639,242

Key Supply Chain Activities

- Aftercare
- Customer engagement

Brand Portfolio



Carbon Foot Print (tco₂e)

	2015/16	2014/15
Scope 1	2,106	1,833
Scope 2	337	435
Scope 3	43	21

Number of Employees

2015/16	324
2014/15	330

Weighted Average Customer Satisfaction Index

2015/16	88%
2014/15	87%

Number of Customers

2015/16	3,007
2014/15	2,245

Water Consumption (m³)

2015/16	19,543
2014/15	14,685

Energy Consumption (GJ '000)

2015/16	24,065
2014/15	28,470

Vehicles – After Services

DIMO also offers global brands in vehicle accessories and components as part of its comprehensive after 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.



Key Principals and Relationship

Daimler AG	77 Years
TATA Motors Ltd	55 Years
Mahindra & Mahindra Ltd	26 Years
Claas Agricultural Machinery pvt Ltd	13 Years
FCA International Operations Llc	12 Years

Outlook

We expect growth to continue as our investments and new service promotions come on stream. The Mercedes-Benz centre, will continue to provide an integrated sales, service and parts solution under one roof.

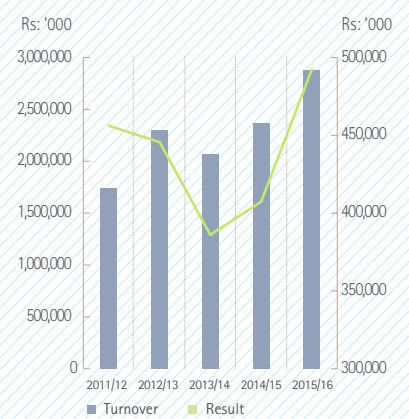
Product Portfolio

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

Key Impediments

- Attracting skilled labour
- Substitutes
- Workshop capacity limitations in outstations

Segment Turnover and Segment Results



Segment Turnover

RS. '000

2015/16	2,879,444
2014/15	2,368,614

Segment Results

RS. '000

2015/16	492,275
2014/15	407,259

Lead Capitals

- Intellectual Capital
- Human Capital

% Contribution to Group Turnover

2015/16	8%
2014/15	8%

Monetised Capital Directly Employed

RS. '000

2015/16	1,654,312
2014/15	1,466,620

Key Supply Chain Activities

- Aftercare
- Customer engagement
- Engineering

Brand Portfolio



Carbon Foot Print (tco₂e)

	2015/16	2014/15
Scope 1	730	907
Scope 2	805	574
Scope 3	64	20

Number of Employees

2015/16	556
2014/15	535

Weighted Average Customer Satisfaction Index

2015/16	85%
2014/15	84%

Number of Customers

2015/16	3,920
2014/15	3,010

Water Consumption (m ³)	2015/16	35,167
	2014/15	30,220

Energy Consumption (GJ '000)	2015/16	14,745
	2014/15	16,007

Business Report

Marketing and 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 segments we operate.



Key Principals and Relationship

Robert Bosch GmbH	62 Years
Siemens	56 Years
Bosch Ltd	47 Years
Bosch Automotive Systems Corporation	32 Years
Michelin	23 Years
Osram GmbH	22 Years
Rane Brake Lining Ltd	22 Years
MRF	15 Years

Product Portfolio

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

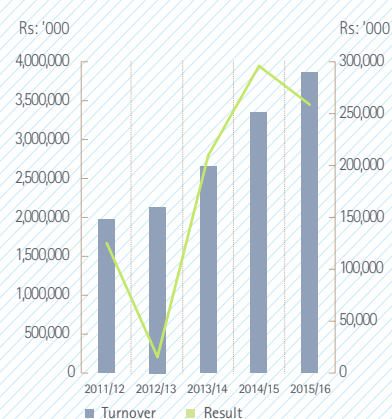
Outlook

With improvements in the construction sector and the continuing trend in demand for smart solutions, demand for lighting solutions and power tools will be enhanced. Further the addition of new suppliers for passenger car tyres would ensure growth momentum in tyre sales.

Key Impediments

- Increase in substitute products
- Frequent taxation Revisions

Segment Turnover and Segment Results



Segment Turnover

RS. '000	2015/16	2014/15
3,860,802	3,350,735	

Segment Results

RS. '000	2015/16	2014/15
258,682	295,923	

Lead Capitals

- Relationship Capital
- Human Capital

% Contribution to Group Turnover

2015/16	10%	2014/15	12%
---------	-----	---------	-----

Monetised Capital Directly Employed

RS. '000	2015/16	2014/15
2,466,779	1,759,877	

Key Supply Chain Activities

- Sourcing
- Warehousing
- Delivery
- Aftercare
- Customer engagement

Brand Portfolio



Carbon Foot Print (tco₂e)

	2015/16	2014/15
Scope 1	678	677
Scope 2	128	306
Scope 3	126	327

Number of Employees

	2015/16	2014/15
	237	245

Weighted Average Customer Satisfaction Index

	2015/16	2014/15
	86%	91%

Number of Customers

	2015/16	2014/15
	4,469	3,404

Water Consumption (m³)

	2015/16	2014/15
	4,368	9,318

Energy Consumption (GJ '000)

	2015/16	2014/15
	10,374	5,889

Construction and Material Handling Equipment

Komatsu, Bomag, Schwing Stetter and Manitou 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.



Key Principals and Relationship

Komatsu Ltd.	47 Years
Bomag GmbH	37 Years
Sch'a'fer Systems International Pte.Ltd.	14 Years
MHE-Demag (s) Pte. Ltd.	13 Years

Product Portfolio

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

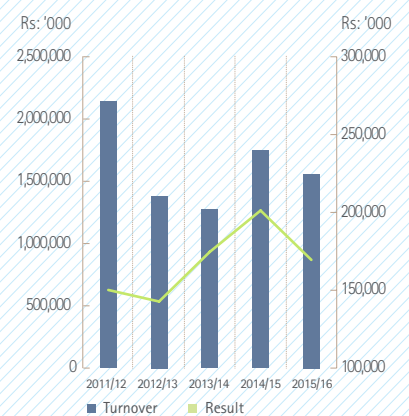
Outlook

Potential for growth in this sector is high, with development projects in infrastructure expected to recommence and the anticipated growth in the construction sector.

Key Impediments

- Import of cheap substitutes

Segment Turnover and Segment Results



Segment Turnover

RS. '000	
2015/16	1,558,886
2014/15	1,749,816

Segment Results

RS. '000	
2015/16	169,523
2014/15	201,221

Lead Capitals

- Intellectual Capital
- Human Capital

% Contribution to Group Turnover

2015/16	4%
2014/15	6%

Monetised Capital Directly Employed

RS. '000	
2015/16	1,132,248
2014/15	1,067,082

Key Supply Chain Activities

- Aftercare
- Customer engagement
- Engineering
- Solution mapping

Brand Portfolio



Carbon Foot Print (tco₂e)

	2015/16	2014/15
Scope 1	273	262
Scope 2	113	92
Scope 3	18	10

Number of Employees

2015/16	106
2014/15	78

Weighted Average Customer Satisfaction Index

2015/16	90%
2014/15	88%

Number of Customers

2015/16	883
2014/15	661

Water

Consumption (m³)

2015/16	9,399
2014/15	6,086

Energy

Consumption (GJ '000)

2015/16	4,491
2014/15	4,229

Business Report

Electro-mechanical, Bio-medical and 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, fluid management and bio-medical equipment.



Key Principals and Relationship

DEMAG- A Terex Brand	57 Years
KHD HumboldtWedag AG	56 Years
Siemens	56 Years
KSB AG	54 Years
Johnson Controls (S)Pte.Ltd	39 Years
Carl Zeiss Meditec	31 Years
Rolls Royce Power System AG	29 Years

Product Portfolio

Sales and service of medical equipment, power generating sets, diesel engines for marine propulsion, rail traction, power generation and Building Management Systems.

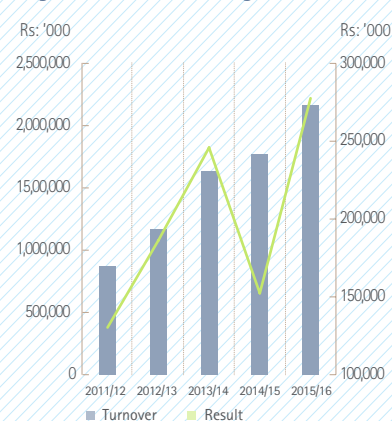
Outlook

Large scale infrastructure development projects, growth in the hotel and tourism sector and with expansion of health care industry in both the public and private sectors will provide an impetus for growth.

Key Impediments

- High customer bargaining power
- Increase in cost of equipment

Segment Turnover and Segment Results



Segment Turnover

RS. '000	2015/16	2014/15
2,167,738	1,770,626	

Segment Result

RS. '000	2015/16	2014/15
277,605	152,363	

Lead Capitals

- Relationship Capital
- Human Capital

% Contribution to Group Turnover

2015/16	6%	2014/15	7%
---------	----	---------	----

Monetised Capital Directly Employed

RS. '000	2015/16	2014/15
1,644,984	1,359,269	

Key Supply Chain Activities

- Aftercare
- Customer engagement
- Solution mapping
- Engineering

Brand Portfolio



Carbon Foot Print (tco₂e)

	2015/16	2014/15
Scope 1	283	303
Scope 2	128	96
Scope 3	38	40

Number of Employees

2015/16	144	2014/15	160
---------	-----	---------	-----

Weighted Average Customer Satisfaction Index

2015/16	92%	2014/15	93%
---------	-----	---------	-----

Number of Customers

2015/16	566	2014/15	512
---------	-----	---------	-----

Water

Consumption (m³)

2015/16	9,855	2014/15	7,771
---------	-------	---------	-------

Energy

Consumption (GJ '000)

2015/16	4,735	2014/15	4,848
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A visible operation

- 36 The Capitals Report
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Supply Chain Activities' Connectivity with Business Segments and Capitals



Value Creation Activity and Description

Sourcing	Evaluation of Requirements, identification of Suppliers and Ordering
Warehousing	Unloading and Storing
Customer Engagement	Marketing, Identification of Customer Needs, Prospecting and Selling
Solution Mapping	Identification of a Solution for the Customer Needs in Sales
Engineering	Planning, Designing and Execution of Engineering Work
Delivering	Physical Delivery of Goods, Rendering Services and Solutions to the Customers
Aftercare	Addressing Customers Post Delivery requirements
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

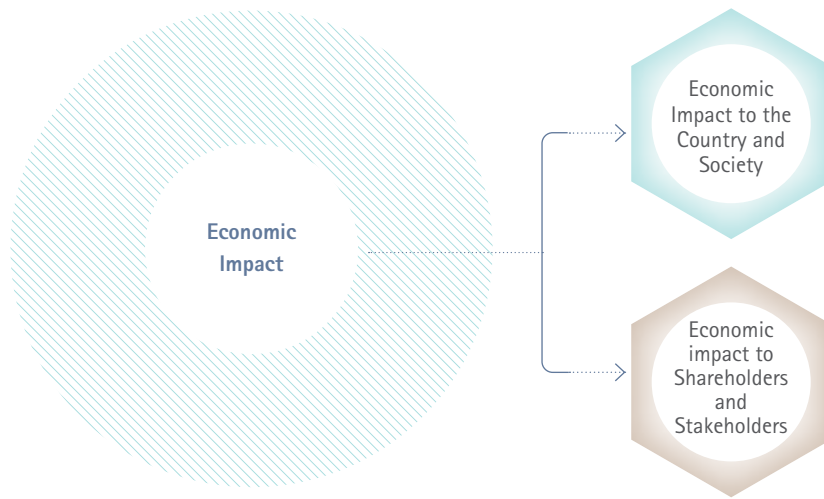
- Extremely Critical
- Moderately Critical
- Required may not be Critical
- Moderately Required or Not Required

Impact Management



63	Economic Impact
65	Environmental Impact
72	Social Impact
75	Sustainability Performance Objectives

Economic Impact



Economic Impact Dimensions

Enhancing Social and Shareholder Wealth

The economic impact of DIMO's value creation activities are felt by two broad segments: stakeholders including the shareholders and the country and the members of the society. The value we generate at DIMO contributes to the economic growth and well-being of the country on the one hand and on the other, it generates economic value for the shareholders and other stakeholders who have placed their trust in the Board. We consider it important to spread our economic value across all regions of the country. This is an aspect of the Board's stewardship role: as custodian of the Company's assets and brand value, it is responsible for creating sustainable value for diverse groups of stakeholders.

The 'monetised value added statement' appearing on page 64, 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 outgoings:

- Rs.67 million (Rs. 62 million in 2014/15) on account of social investment projects
- Rs.10.6million (Rs. 10.5 million in 2014/15) on account of environmental preservation
- Rs.5.3 billion (Rs. 4.3 billion in 2014/15) on account of supplies sourced locally

Economic Impact to the Country and Society

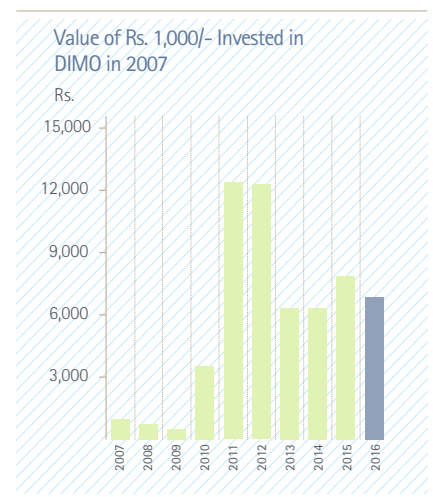
DIMO contributes to economic growth in several ways: we contribute to government's revenue, make investments that support economic growth, and provide direct and indirect employment.

At the end of March 2016, the Group was providing direct employment to 1573 and indirect employment to 599 persons (739 in 2014/15). We enhance our contribution to indirect employment generation further by making use of locally supplied goods and services. However, quantifying this additional contribution to indirect employment generation is not possible due to difficulties in obtaining reliable data.

DIMO builds economic value through its investments in the provision of technical education for apprentices, significantly enhancing their employability. Following their training, candidates they may seek employment at DIMO or look at other opportunities. More details on our technical education programme for youth and our other social investments are discussed in the society section appearing from page 72 to 74.

Every year, the Company makes a substantial contribution to state coffers. Duties and tariffs paid to the state during the year amounted to Rs. 10.2 billion (Rs.5.78 billion in 2014/15). The Group collected Rs. 1.74 million (Rs.2.02 billion in 2014/15) as value added taxes during the same period, on behalf of the government.

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



The above graph illustrates the subsequent value of Rs. 1,000/- invested in DIMO shares in 2007.

Key Performance Measures

Description	Colombo and Gampaha Districts		Northern/Eastern Province		Rest of the Country		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Investments in buildings, plant & equipment - Rs. million	71	293	1	74	8	7	80	374
Employment opportunities provided (new recruitments)	237	162	10	7	42	130	289	299
Employees as of 31st March	1,259	1,226	59	58	255	251	1573	1,535

Economic Impact

Economic Impact for Shareholders

Monetised value generated and distributed

The following table shows how monetised value was created and distributed. The total monetised value generated increased by 49% when compared with the previous year.

Computation of Monetised Value Added

Description	Group				Company			
	2015/2016		2014/2015		2015/2016		2014/2015	
	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000
Gross turnover		37,749,750		28,037,376		35,403,232		26,179,115
Other income		86,141		51,742		103,147		63,480
Less:Cost of material and services bought in		(23,581,456)		(18,542,213)		(21,9508,30)		(17,170,341)
		14,254,435		9,546,905		13,555,549		9,072,254
Distribution of Value Added								
Employees	16	2,283,913	24.12	2,302,315	15	2,008,709	22.46	2,037,422
Government	72	10,221,575	60.63	5,788,586	74	9,988,987	62.37	5,657,917
Lenders	2	251,229	4.30	410,194	2	273,458	4.27	387,830
Community Investment -Donation	0	67,541	0.01	62,784	0	66,465	0.69	62,679
Shareholders	1	177,529	0.93	88,764	1	177,529	0.98	88,764
Retained in the business	9	1,252,648	10.37	894,262	8	1,040,401	9.23	837,642
Depreciation set aside	2	306,042	4.12	298,179	2	300,678	3.21	291,081
Profit retained	7	946,606	6.24	596,083	6	739,723	6.02	546,561
	100	14,254,435	100	9,546,905		13,555,549	100	9,072,254

From the total value created of Rs. 14.2 billion (Rs. 9.5 billion in 2014/15) in year under review, 72% (61% in 2014/15) was paid to the government in the form of taxes and tariffs, 16% was distributed to employees in the form of remuneration and statutory payments, 9% was retained in the business for further investment and development, while only 1% was distributed among shareholders.

Shareholder value creation

Economic value added (EVA) is a performance measure that attempts to measure "economic profit" made by the Company. EVA refers to the difference between the profit after tax and the economic cost of capital.

DIMO generated economic value to the tune of Rs. 280 million during the financial year (Rs. 14 million in year 2014/15).

Key objectives relating to the economic impact are listed in the sustainability objectives appearing on page 75.

Computation of Economic Value Added

Description		2015/16	2014/15
		Rs. '000	Rs. '000
Total Capital Supplied			
Equity		9,989,679	9,237,938
Long term Interest bearing Loans & Borrowings		1,301,990	1,597,110
		11,291,669	10,835,048
Earnings			
Profit after Tax		946,606	596,083
Add:Interest on Long-Term Borrowings		97,957	105,692
Adjusted Earnings		1,044,563	701,775
Weighted Average Cost of Capital		6.76%	6.61%
Economic Charge		763,735	716,362
Economic Value Added		280,828	-14,587
Average Risk Free Rate(Avg.Treasury Bill Rate)			
	Central Bank	6.98%	6.48%
Beta factor-DIMO	CSE	0.46	0.83
Risk Premium	Assumed	2%	2%
All share price Index(ASPI)	CSE	6,071.9	6,820.3
Average weighted prime lending Rate(AWPR)	Central Bank	7.36%	7.17%
Rate of Income Tax	Applicable Rate	28%	28%
Cost of Equity(Based on CAPM)	Computed	7.15%	7.03%
Cost of debt(after tax)	Computed	5.30%	5.16%

Environmental Impact

Management Approach

Optimising our social and environmental footprint

At DIMO we carefully consider our current and anticipated impacts on the environment with the ambition of minimising our footprint. While being fully compliant with all relevant environmental standards and regulations, we have also strived to improve the environmental

impacts of our operations by directing more of our resources and energy towards this end.

Land and water are the primary natural resources that DIMO uses to create value. Since land has a monetary value, we have classified it as a monetized capital. On the other hand, we have not classified water as a capital, because it is not materially comparable with the other forms of capital we use to create value.

In engaging with the environment we seek to:

1. reduce the environmental impact of our operations
2. replenish, restore and rejuvenate the environment and preserve it for future generations

Key Performance Measures

Key Performance Area	Metric	2015/16	2014/15	2013/14	2012/13	2011/12
Climate change	Carbon footprint tCO ₂ e per Rs. 1 million of Group net turnover	0.1917	0.2413	0.2773	0.2292	0.1674
Energy	Total energy consumption (1,000 GJ)	68,294	60,745	52,333	60,547	78,184
	Energy consumption (Giga Joules) per employee (on average)	44	40	34	42	58
Water	Total water consumption (M ³)	104,049	87,081	90,487	101,984	75,640
Water recycled	Ground water recycled and reused as a percentage of total water consumption (%)	18	31	24	21	15
Waste	Total hazardous waste sent for recycling/reusing - Kg	138,090	111,781	125,153	132,364	65,989
	Total hazardous waste sent for recycling/reusing - Litres	106,468	106,000	107,646	105,506	94,267

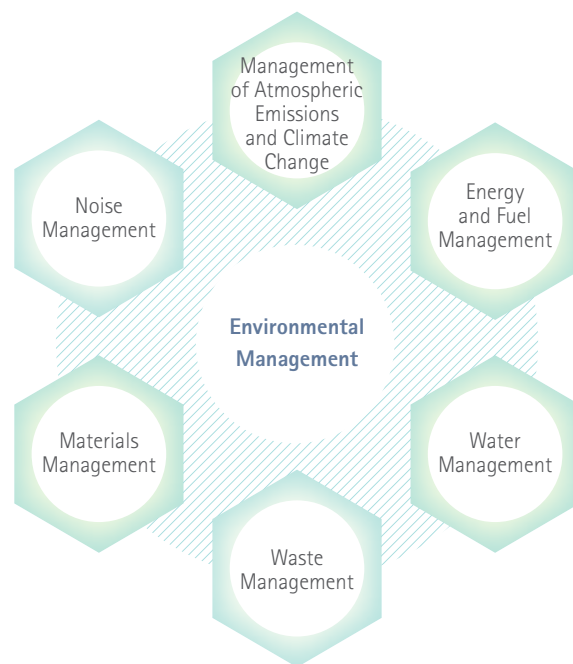
DIMO's Environmental Management System

Our Environmental Management System (EMS) is the primary tool we use to minimize our environmental footprint and grow our ecological footprint. Our EMS has ISO 140001 (2004) accreditation.

DIMO's EMS has six focus areas:

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

The EMS is supervised by the Company's Sustainability Committee and by our various divisional heads. In addition, we use our stakeholder engagement process, captured more fully on pages 31 to 32, to identify threats and strategic points of intervention. Independent external verification supplements the Company's internal data collection, analysis and physical inspection processes.



Environmental Impact Dimensions

Environmental Impact

Generating an Employee Commitment

Sustainable value creation depends to a large extent on the passion and commitment of our employees. The 'I Pledge' programme seeks to secure an unconditional commitment from employees to conserve the environment as part of their work and in their activities outside of work.

Emissions and Climate Change

Our EMS aims to reduce the impact of our emissions on climate change. We ensure that we are within the stipulated statutory limits. We are committed to reducing Green House Gas Emissions (GHG) and to reducing our carbon footprint. We use the WBCDS/WRI Greenhouse Gas Protocol's Corporate Standard (Revised Edition) to monitor levels of GHG emission.

During the year under review the Group's carbon foot print increased by 7% (12% in year 2014/15) mainly due to an increase in Group turnover of 35%. On the other hand, when compared with the Group's activity level, our GHG emissions decreased to 0.1917 tCO₂e per Rs. 1 million of Group net turnover, compared to the value of 0.2413 tCO₂e recorded in the previous year.

Presently, our scope 3 calculation is limited to air travel, third party fuel use for spare parts deliveries and emission due to A4 consumption.

We have further refined and expanded our Emissions Scope 3 category of reporting by taking all aspects of our supplier chain into account. Thus, we have included the GHG emission of 18 tco₂e resulting from the use of A4 sheets for our business.



We have also streamlined our waste disposal system which gives us GHG emission savings. We have calculated this saving to be 57.5tco₂e.

Managing Atmospheric Emissions

The monitoring of atmospheric emission levels is done every year by an independent third party approved by the Central Environmental Authority (CEA). Emission levels during the year were within the limits set down by the CEA.

Paint work done in our paint booths utilises filtration systems that prevent the release of toxic fumes and particles into the atmosphere. DIMO has installed exhaust gas and dust extractors in the main workshops, which effectively control emissions emanating from engine testing, air filters and brake assemblies.

The Group's activities do not result in ozone depleting emissions. The use of CFC-free gases in vehicles and air-conditioning plants have built-in systems to capture and recycle gas when the units are serviced.

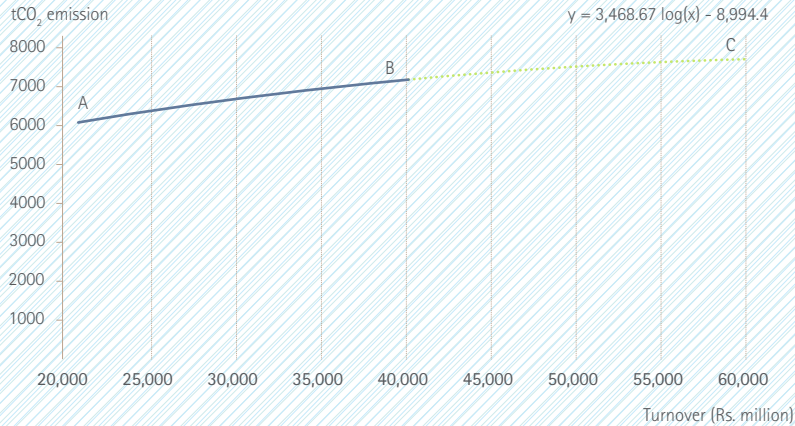
Carbon Footprint

Emission	2015/16	2014/15	% Change from Previous Year	2013/14	2012/13	Emission Intensity Ratio (tCO ₂ e per Rs. 1 million of Group Net Turnover)			
	Emission tCO ₂ e	Emission tCO ₂ e		Emission tCO ₂ e	Emission tCO ₂ e	2015/16	2014/15	2013/14	2012/13
Scope 1	4,423.15	4,243.10	4.24	4,371.63	4,204.83	0.1172	0.1512	0.1792	0.1518
Scope 2	2,444.27	2,080.90	17.46	1,411.60	1,763.00	0.0648	0.0741	0.0742	0.0636
Scope 3 (Limited)	356.14	446.70	(20.27)	273.11	281.86	0.0094	0.0159	0.0258	0.0181
Total	7,223.57	6,770.79	6.82	6,055.85	6,249.69	0.1917	0.2413	0.2762	0.2335

Note: Fuel consumption of vehicle used for deliveries to customers is shown under scope-1

A Case Study – Carbon Footprint Curve of DIMO

Log Linear Turnover vs Carbon Footprint



Performance relating our carbon foot print is currently measured as a ratio between tons of Carbon Dioxide Emissions (tCO₂e) per Rs.1.0 million of turnover. This ratio

for the current year is compared with its corresponding figure for the previous year to see whether there is an increase or a reduction in the carbon foot print

ratio. In doing so, we assumed a directly proportionate linear relationship between turnover and the resultant carbon foot print.

In order to look at our carbon footprint more aggressively and critically we are now looking at a scenario where we do not assume a linear relationship but a non-linear positive relationship between the two variables. Upon mapping of data relating to turnover and the total carbon foot print for the last five years we were able to construct the following curve of best fit, which corresponds to the equation $y = 3,468.67 \log(x) - 8,994.4$. Point A to B in the following graph depicts the curve based on actual data for the last five years with point B to C depicting the extension of the curve when actual turnover in the future exceed current turnover. Therefore, our focus will be to limit our future carbon foot print to a spot below the curve.

Materials Management

The effective management of scarce resources is a key part of our EMS and we have adapted our internal processes towards this. Renewable materials are used wherever possible.

Materials Usage

Type of Materials Used	Renewable or Non-renewable	Unit of Measurement	Quantity	
			2015/16	2014/15
Paints	Non- Renewable	Lt	6,094	5,444
Kerosene	Non- Renewable	Lt	34,852	36,899
Lubricants *	Non- Renewable	Lt	190,237	179,065
Floor Carpets (Paper)	Renewable	Nos	60,500	30,000
Cotton Waste	Renewable	Kg	142,012	170,748
Lacquer	Non- Renewable	Lt	514	418
Thinner	Non- Renewable	Lt	16,438	16,867
Putty	Non- Renewable	Kg	2,635	1,075
Filler	Non- Renewable	Lt	697	745
A4	Renewable	pkts	7,101	6,995

(Materials disposal is discussed under waste management in pages 69 and 70)

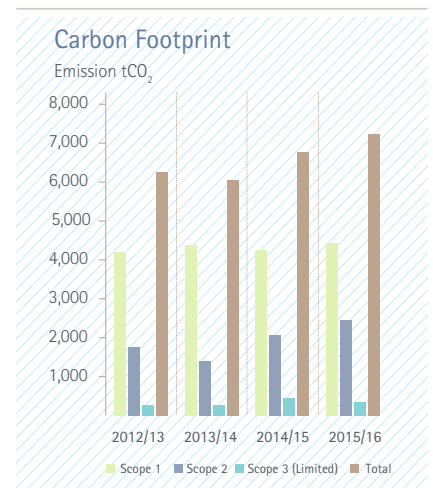
Material consumption increased, mainly as a result of a 10% increase in vehicle throughput in the workshops.

Energy Consumption

DIMO's main sources of energy are electricity, diesel, petrol and liquefied petroleum gas. Most of

our electricity comes from the national grid while small amounts of electricity are generated through in-house generators. LP gas is used in the staff cafeteria.

There was a 12 % increase in energy consumption compared with the previous year. This was one of the consequences of the 35% increase in turnover. Renovations and construction work at our head office also resulted in an increase in energy consumption.



Environmental Impact

Energy Consumption

Description	Units	Consumption					
		2015/16	2014/15	% Change From Previous Year	2013/14	2012/13	Ratio Between Energy Consumption and No. of Employees
Diesel for vehicles	GJ	29,598	27,543	7.46	27,210	34,703	19.05
Diesel for generators	GJ	906	622	45.66	306	654	0.58
Petrol for vehicles	GJ	24,288	20,983	15.75	16,516	15,412	15.63
LP gas	GJ	430	467	(7.92)	344	349	0.28
Electricity	GJ	13,071	11,128	17.46	7,957	9,429	8.41
Total		68,293	60,743	12.45	52,333	60,547	43.94

Auditing Energy Usage

External and internal energy audits are used to identify areas where waste can be reduced and efficiencies enhanced. We have accreditation from the Sri Lanka Sustainable Energy Authority to conduct energy audits.

Last year an energy audit was conducted at the Siyambalape workshop and the resulting recommendations are being implemented. This will result in a saving of 16.99 Mwh per year.

Other measures the company has taken to reduce energy usage include the following:

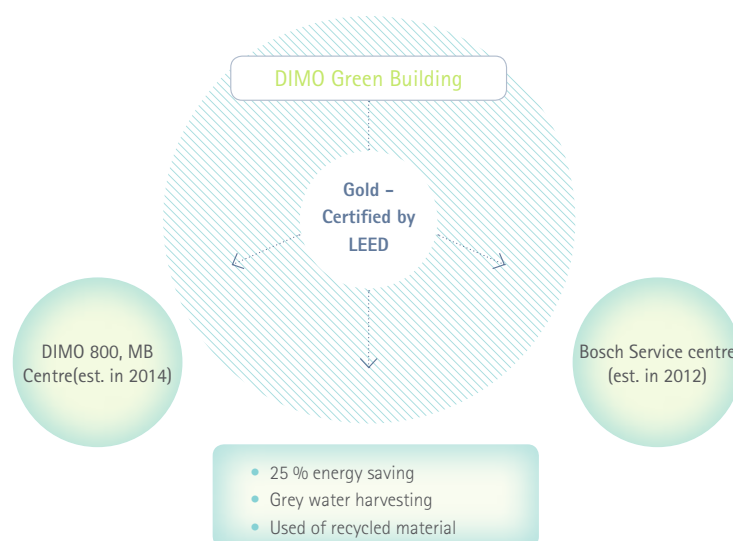
- The use of capacitor banks for power factor correction
- Replacement of incandescent lighting with CFL and LED technology
- Programming all computers to revert to standby mode within a five-minute idling period
- Setting air conditioning units at a constant minimum of 24C° or over
- Inculcating a culture amongst the staff of 'switching it off' when not in use
- The use of natural light when new buildings are planned

'Green' Buildings

Buildings constructed by DIMO in the recent past have been "Green Buildings": using more natural light, reducing the consumption of non-renewable energy and recycling waste.

Our first green building - the Bosch Service Centre, was completed in January 2012 and was certified 'Gold' by LEED. The 15,800 square metres DIMO 800 building housing

the new Mercedes Centre was our second 'green building' which also carries the Gold Certification from LEED. Our Green buildings offer an energy saving that is 25% greater than regular buildings. Water efficiency, energy consumption, atmosphere emissions, material usage and indoor environmental considerations were some of the factors that were taken into consideration in the design of these buildings.



Water Usage

Our main source of water is the National Water Supply. Ground water sources are used at the Siyambalape workshop and the Weliweriya Logistics Centre. State-of-the-art water treatment and recycling plants are in operation at all the main workshops.

Water Consumption

Description	Water Usage (M³)			Reused Water (M³)			Reused Percentage (%)		
	2015/16	2014/15	2013/14	2015/16	2014/15	2013/14	2015/16	2014/15	2013/14
Municipal water	70,789	61,264	49,794	1,871	-	-	3%	-	-
Ground water	33,151	25,692	40,581	5,878	7,910	9,692	18%	31%	24%
Rain water harvesting	109	125	112	-	-	-	-	-	-
Total	104,049	87,081	90,487	7,749	7,910	9,692	7%	9%	11%

During the year, water consumption increased by 19% when compared to the previous financial year. This was due to an increase in the number of vehicles that reached our workshops. 18% of the ground water consumed (31% in 2014/15) was recycled and reused. This amounts to 8% (9% in 2014/15) of the total water consumption. We will continue to increase the percentage of water recycled and reused.

DIMO's waste management processes prevent the discharge of untreated water into any public area or sewage system. Waste water from all our workshops pass through oil separators and are monitored to ascertain their pH levels on daily basis, to ensure compliance with legal limits.

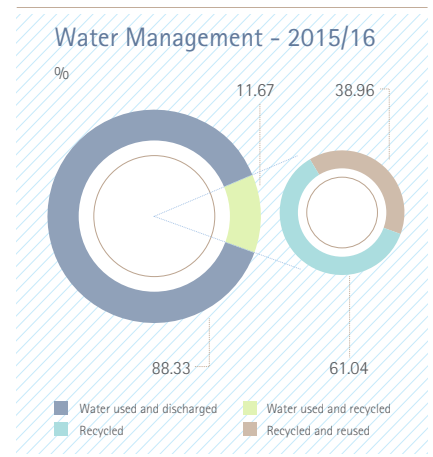
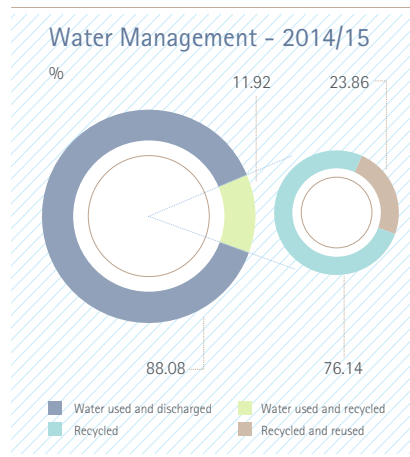
Random samples of recycled water are collected by a CEA approved third party, to check if pH Value, Chemical Oxygen Demand (COD), Biochemical Oxygen Demand, Total Suspended solids, and Oil/Grease content, are below the tolerance level designated by the CEA. All our samples were found to be well below stipulated tolerance levels in the past year.

Hazardous Waste Management

There were no hazardous chemical spillages reported during the year. Material Safety Data Sheets are available to be used in the event of a chemical spillage. Equipment such as oil suckers are available to deal with spillages of oil. Waste is handed over to third parties for recycling. Employees are regularly trained on safe practices and the proper handling of material. Safety equipment is in place for use in the event of an accident.

Hazardous Waste Disposal

The quantity of waste disposed has increased, mainly as a result of a 10% increase in vehicle throughput at all the workshops. However, a reduction in cotton waste disposal was possible due to increased awareness amongst employees. Over the past year, the Company took several new measures to improve accuracy in the measurement of waste disposal at all the workshops.



Hazardous Waste Disposed

Type of Waste	Units	Quantity Disposed		Current Method of Disposal
		2015/16	2014/15	
Waste Oil*	Litre	106,468	106,000	Handed over to authorized third party for recycling
Sludge	Kg	105,183	93,073	
Metal Scrap	Kg	27,361	11,930	
Metal Dust	Kg	3,590	-	
Paint Cans	No.	1,642	920	
Filters	No.	27,181	17,653	
Batteries	No.	140	74	
Tyres	No.	523	129	
Saw Dust	Kg	2,657	2,467	
Polythene	Kg	8,227	3,494	
Plastic	Kg	1,520	817	
Cotton Waste	Kg	31,617	39,385	

(Waste oil includes – engine oil from serviced vehicles)

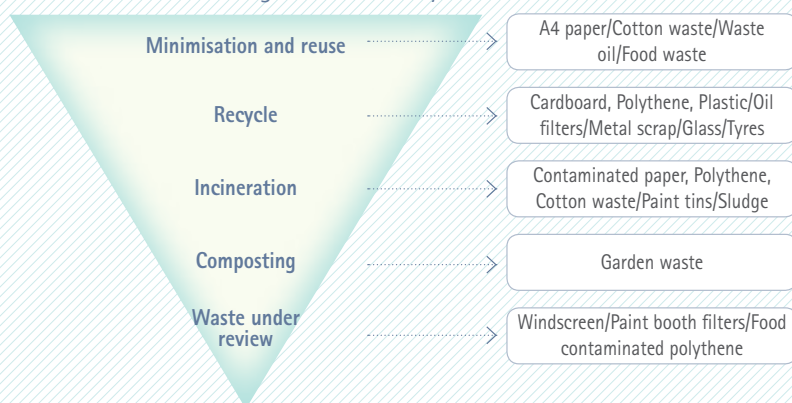
Environmental Impact

Case Study Managing Waste



Waste is segregated at source into hazardous and non-hazardous waste according to our waste segregation and disposal guidelines. The hazardous waste items including sludge, oil contaminated cotton waste, plastic, polythene and cotton waste is sent for processing through a third party. This process eradicates waste and reduces overall greenhouse gas emissions otherwise released by incineration, decomposition or degradation in dumps or landfill. Through this process, in year 2015/16, we have disposed 138,090kg of hazardous waste avoiding 19,804.96 kgCO₂e that would have been released to the environment if this process had not been followed.

DIMO's Waste Management Hierarchy



Non-Hazardous Solid Waste Management

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

We have contracted 'Holcim Geo-Cycle', a Central Environmental Authority accredited third party, to provide waste management solutions for our hazardous and non-hazardous waste.

DIMO is working towards a paperless office environment. We seek to reduce paper usage and wastage at every opportunity. Some of our initiatives include an e-mail rider campaign

discouraging printing copies of e-mails, use of recyclable paper bags at our sales outlets, maximising use of paper (both sides as opposed to one-side used and dumped) and recycling printer cartridges.

Non-Hazardous Solid Waste Disposed

Description	Measurement	Period (Year)				Method of Disposal
		2015/16	2014/15	2013/14	2012/13	
Organic	Kg	52,217	37,401	33,307	34,417	To third party as animal feed
Contaminated paper	Kg	9,955	6,496	-	-	
Cardboard boxes	Kg	49,821	37,401	16,523	20,227	
Pallet racks	Kg	196,601	34,048	33,875	63,854	

Noise Management

Noise emissions from the Company's facilities are controlled to ensure that those within the vicinity of these locations are not subjected to uncomfortable noise levels. Noise levels are measured by an independent third party approved by the CEA. The Company complies with legal requirements relating to noise emissions and takes steps to ensure that its noise emissions are below the legal requirements.

Replenishing and Rejuvenating the Environment

Replenishing, restoring and rejuvenating the environment to preserve it for future generations are more ways in which we grow our ecological footprint.

'Living with Elephants'

DIMO sponsored the book 'Living with Wild Elephants' authored by Dr. Vijitha Perera, a well-known wildlife veterinarian. The book describes the extraordinary work of Dr. Vijitha Perera in rescuing, relocating and treating elephants, through stories described with great compassion and love of these wonderful animals. DIMO also sponsored the launch of the book, which was held at the DIMO 800 Centre.

Poster Competition for School Children

DIMO supported the efforts of the Green Forest Association working in public schools across the country to promote environmental awareness amongst a new generation of Sri Lankans. Supported by informative posters which showcased the biodiversity of Sri Lanka with its rich endemic plants and wildlife, this project was undertaken as part of DIMO's pledge to promote "Living in harmony within our environment". These posters along with educational seminars will reach over 1,500 schools and another 500 will be distributed to participants at special environmental workshops.

Free Saplings

Over 250 saplings were distributed to customers who visited DIMO, to mark World Environment Day on 5th June 2015.

Case Study

Turtle Conservation in Panama on Sri Lanka's East Coast



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 14,000 young turtles have been released from their nesting habitats into the sea in several phases of the project.

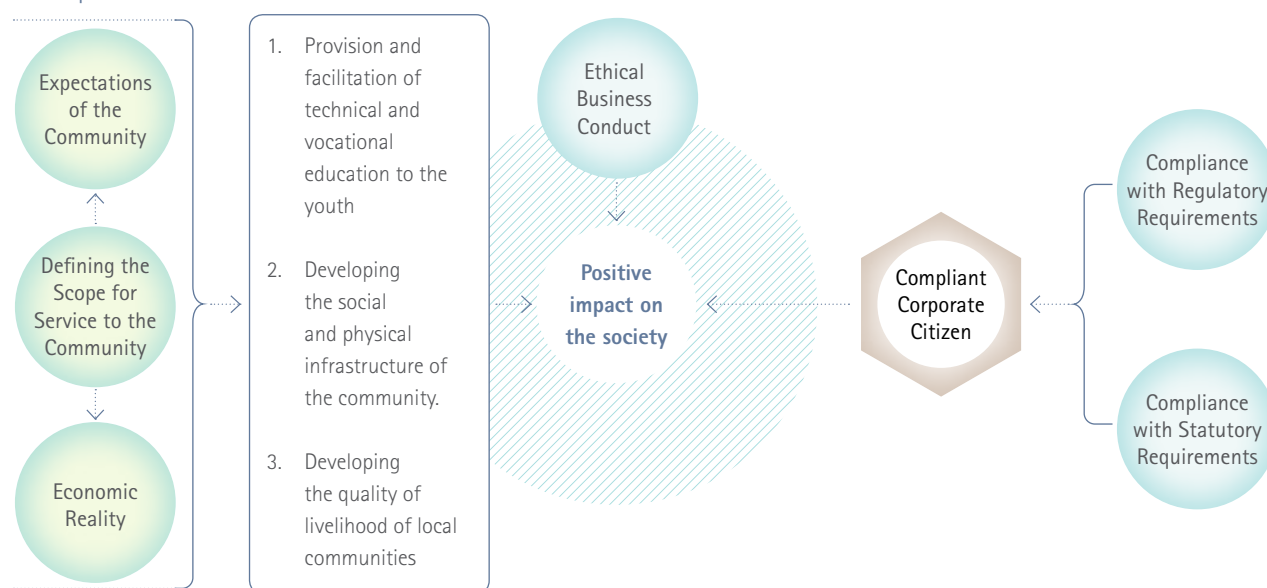
Phase	Period	Number of Eggs Laid	Number of Eggs Hatched	Hatchling Success Rate
Stage 01	6 months/ Started on 26.11.2012	5,680	4766	83.9%
Stage 02	8 months/ started on 02.12.2013	6,360	5,330	83.8%
Stage 03	12 months/ started on 12.10.2014	13,317	8,630	64.8%

Social Impact

Key Performance Measures

Aspect	Measure	2015/16	2014/15	2013/14	2012/13	2011/12
Investing in community	Community investments as percentage of turnover (%)	0.18	0.22	0.21	0.19	0.14
Development of youth	No. of vocational training students given training during the year as a percentage of full-time employees (%)	24.72	24.82	16.78	10.50	14.24
Contribution to treasury	Tax paid to government (Rs.million)	10,235	5,788	3,245	2,972	6,062

Social Impact Dimensions



Management Approach

Ethical, Responsible and Sustainable Business

Our value creation model requires that we maximize our positive impact on society. One of the ways in which we do this is by creating more opportunities for society as a whole and by helping people grow in many different ways. Last year DIMO spent Rs 67 million on activities that support the community.

Our engagement with society has several different facets. We are committed to being responsible to society, which means that we must ideally seek 'to do no harm to society', and where that is not possible, to minimize our social harm. We also believe that we must act responsibly with regard to the communities

in which we operate and with whom we have regular contact. We also strongly believe in ethical business; a commitment to integrity that goes beyond our regulatory and legal obligations.

Listening to Different Voices

One of the first things we do is to listen. Community voices guide us in our engagement with society. DIMO conducts regular surveys with multiple stakeholder groups to help us understand their needs and aspirations. We develop our community interventions based on the analysis of these surveys.

In this manner, we have prioritised the following areas of intervention:

- Technical and vocational education for young people
- Developing the social and physical infrastructure of the community
- Enhancing livelihood opportunities for local communities

Technical and Vocational Education for Young People

Technical and vocational training and education drives economic growth and provides opportunities across all social groups. The following are some of our key interventions in this area:

One of the first things we do is to listen. Community voices guide us in our engagement with society. DIMO conducts regular surveys with multiple stakeholder groups to help us understand their needs and aspirations. We develop our community interventions based on the analysis of these surveys.

DIMO Automobile Training School (DATS)

DATS has been our flagship intervention in this area. Launched over 25 years ago in Siyambalape, Biyagama the school became the first of its kind in the private sector to offer an automotive technology education in the Northern Province. Today, a full-time expatriate professional with experience in vocational and technical training leads the school. Our second DATS opened in Jaffna in 2010 to help the region's recovery after the war. Each year, both schools take in 16 students, after a competitive examination. They follow a two-year comprehensive diploma course that covers all aspects of the automobile engineering. Training is provided free of charge. Students also receive an allowance, subsidised meals and uniforms. They are under no obligation to work for the Company after their training. Students who are interested in pursuing a career at DIMO are recruited depending on vacancies within the Company.

With a view to promoting automobile engineering among women, two 'all-girl' batches were trained recently. We hope to reduce the gender gap in automobile engineering through such targeted programmes. During the year DIMO spent Rs. 31 million on DATS, compared to Rs. 32 million spent in the previous year. Currently, we have 37 trainees in training, while over 530 students have graduated from DATS, since inception.

Technical Training for Youth

DIMO provides apprenticeships to students from professional bodies, universities and technical institutes. The apprenticeship training is provided to students in engineering, automobile repairs, accounting, human resources and administration.

389 apprentices were enrolled during the year under review, compared to 237 in 2014/15. Training periods ranged from 3 months to 1 year while NAITA apprentices were trained for longer periods.

Our apprentices 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 Jaywardenepura
- 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

Developing a Formula racing car for competition in the United Kingdom

DIMO lends its assistance to engineering students of the Mechanical Engineering Department of the University of Moratuwa, to participate at the world's biggest student motorsport competition "Formula Student 2016" to be held at the Silverstone Circuit in the United Kingdom. Team SHARK from the University of Moratuwa -- will be the first-ever Sri Lankan team to participate in this competition. DIMO has provided approximately Rs 10 million to build the car and support their participation at the competition, which will be held in July 2016.

Career and Trade Fairs

DIMO's HR department participated in several career guidance programmes in universities and technical institutes, offering career guidance to a broad range of young people and presenting DIMO as an 'Employer of First Choice'.

Investing in Social and Physical Infrastructure

'DIMO Na Sevena' Technical Education Centre (DTI)

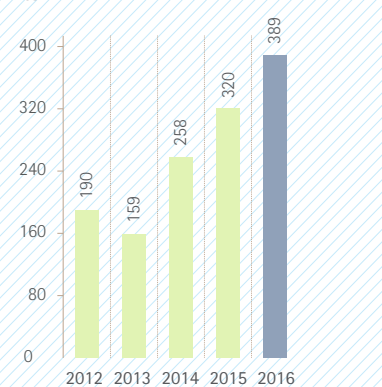
DIMO's 'Na Sevena' project demonstrates the Company's commitment to enhancing safety levels on Sri Lankan roads. The school provides training on 'safe driving' to holders of a valid driver's license. The Centre is located on a nine-acre plot in Sooriyawewa, Hambantota and employs state of the art classrooms and practical training methodologies to train drivers and enhance road safety levels in Sri Lanka. The Company subsidizes the cost of the training and last year spent Rs. 23 million in operational costs for this school.

Enhancing Livelihood Opportunities

The following are some of our important livelihood interventions:

Number of Apprenticeship Enrolments

Nos:



Social Impact

Donation of Spectacles and School Books

Based on one of the findings of the stakeholder survey, we organised an eye clinic for the benefit of residents who live close to our commercial vehicle workshop in Siyambalape. 100 persons participated in the eye clinic and 80 pairs of spectacles were donated, free of charge. The commercial vehicles workshop at Siyambalape organised a distribution of schoolbooks last year and this has now become a regular feature in the DIMO calendar. The Company spent Rs 1.1 million to provide books to almost 250 school children.

Other community interventions included:

Sponsorship for the 'Commerce Day' of the Sri Lanka College of Technology in Maradana.

The DIMO Anuradhapura Branch together with HNB Padaviya Branch conducted a seminar for students for the Grade 5 Scholarship Examination.

In Kalundewa and Wewala Wewa, in Mathale district, an eye clinic was organized for the community.

Books and steel cupboards were donated to Mahasen School Kalundewa, electrical items and furniture were donated to Wewala Wewa Sri Sambodhi Viharaya, and sports equipment and study aids to Nikaweratiya Nelumgala Junior School at their annual prize giving are a few other small scale community interventions

A TATA Single Cab was given to the winner of the lantern competition which was held at the Buddha Rashmi Vesak Zone, Colombo 2 and a DIMO Batta /TATA Ace vehicle was donated to the Gangaramaya temple to be used for a charitable purpose.

Complying with Statutory and Regulatory Requirements

The Company periodically trains its employees to ensure that they are in touch with changes to the legislative and regulatory framework. We have dedicated training programmes to keep employees informed of changes to tariffs and taxation schemes, new local government regulations and environmental laws.

We have a policy of strict adherence to all regulatory requirements. The Code of Ethics

demands complete compliance with the laws, regulations, internal policies and other contents of the code. All our employees and suppliers are required to strictly adhere to environmental regulations and product labelling and safety regulations.

The Group's contribution to the Government as taxes for the financial year 2015/16 amounted to Rs. 10.2 billion (Rs. 5.78 billion in 2014/15)

Ethical Business Conduct

DIMO's Code of Business Ethics covers the following areas.

Non-Discrimination

- Fair and safe working conditions
- Environmental protection
- Confidential information
- Conflict of interest and gifts
- Corporate opportunities
- Accurate books and records
- Personal use of company equipment
- Compliance with all applicable laws
- Competitive information
- Insider trading
- Outside interests
- Political contributions

All employees are required to comply with the Code of Business Ethics.

The Company is a signatory to the United Nations Global Compact since 2012. The principles laid down by global compact include respect for human rights, the right to freedom of association, elimination of all forms of forced, child labour and compulsory labour, elimination of discrimination at the workplace, environment sustainability and zero tolerance of corruption.

Engagement with External Associations

In order to promote and lobby for best industry practices the Company continues its membership in several external associations. This helps us to advocate for policies that are fair and beneficial to our business, to the society and the country. Such initiatives also promote the sharing of best practices with other institutions. Our membership enables us to make representations on ethical business conduct, fair trade, social welfare and social equity.

The Company is a member of the following trade associations.

- American Chamber of Commerce
- The Automobile Association of Ceylon
- Ceylon Chamber of Commerce
- National Chamber of Commerce
- Chamber of Construction Industry
- Sri Lanka - Australia and New Zealand Business Council
- Sri Lanka - France Business Council
- Sri Lanka - German Business Council
- Sri Lanka - Italy Business Council
- Ceylon Motor Traders Association
- Chamber of Young Lankan Entrepreneurs
- International Integrated Reporting Committee (IIRC)
- The European Chamber of Commerce of Sri Lanka
- Japan Sri Lanka Technical and Cultural Association

Sustainability Performance Objectives in 2015/16

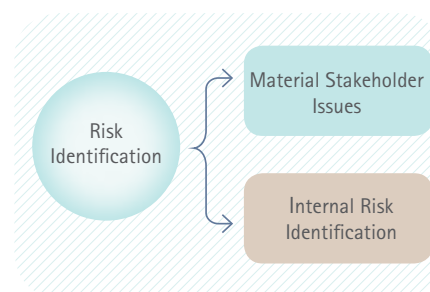
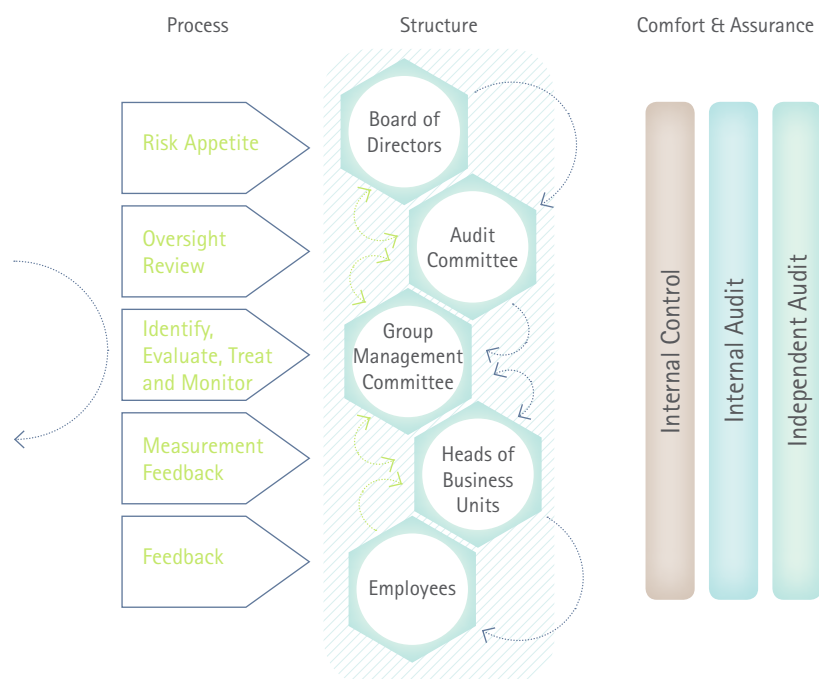
Aspect	Term	Objective	Achievement			Remarks
			2015/16	2014/15	2013/14	
Monetised Capital	Long/ Short	ROE to be more than Annual AWDR+3%	Achieved	Not Achieved	Not Achieved	The AWDR+3% as at year end was 9.1% The ROE for the period was 9.46%
Customer	Long	To ensure continuity of a customer-centric Quality 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	Not Achieved	Achieved	Not Achieved	Training hours per sales personal decreased by 14 % from the last year. The increase in the previous year was 88%
	Short	To achieve a Weighted Average Customer Satisfaction Index score of more than 85%	Achieved	Achieved	Achieved	The Weighted Average Customer Satisfaction Index score was 88% (90% in 2014/15)
	Short	Each branch to have a customer interaction event each quarter	Achieved	Achieved	Achieved	Each branch achieved the required number of customer events
Employee	Short	To achieve an employee satisfaction index score of more than 60%	Achieved	Achieved	Not Achieved	For the year 2015/16, employee satisfaction index score was 62.03% (62.38% in 2014/15)
	Short	Average training hours per employee per year to be more than 10 hours	Achieved	Achieved	Achieved	Average training hours per employee was 16.99 hours in 2015/16. (15.65 hours in 2015/14)
	Long	To maintain a ratio of female to male employees (excluding workshops and field sales) of more than 15%	Achieved	Achieved	Not Achieved	The ratio is 20% in 2015/16 which was the same for the previous year too
Business Partners	Short	To carry out a performance evaluation of ten foreign Principals at least once a year	Partially Achieved	Partially Achieved	Partially Achieved	Annual performance evaluation of 80% were carried out during the year
	Short	To obtain declarations from at least 50% of the current local suppliers, that they will abide by the DIMO supplier code	Achieved	Achieved	Achieved	The supplier declarations were obtained from 60% of the current suppliers
Society	Short	Invest at least .05% of turnover on community development activities	Achieved	Achieved	Achieved	In 2015/16 DIMO invested 0.18% of turnover on community development activities. This was 0.22% in 2014/15
	Long/ Short	The number of non-employees who are afforded training to be more than 5% of the number of employees	Achieved	Achieved	Achieved	The required percentage was achieved due to many training opportunities afforded by the Group
	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. There were no non-compliances reported during the year
Environment	Long	To re-cycle and re-use at least 20% of the ground water used	Achieved	Achieved	Achieved	23% of ground water used was recycled and reused during the year. The corresponding figure for 2014/15 was 31%
	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 2015/16 the Company renewed the waste collection agreements with 3rd parties who were approved by the Central Environmental Authority. These parties were capable of providing a total solution for waste management. Waste handed over to third parties exceeded the required percentage
	Short	Carbon Foot Print for every Rs. 1.0 million of turnover to reduce by 5%.	Achieved	Achieved	Not Achieved	Carbon footprint for every Rs.1 million of turnover in 2015/16 was 0.1917 tCO ₂ e. The corresponding figure for 2014/15 was 0.2413 tCO ₂ e
Economic	Long/ Short	Value Added to increase every year at a rate more than the rate of inflation +5%.	Achieved	Achieved	Not Achieved	The Value added increased by 50.5% in 2015/16 (56% in 2014/15). This is well above rate of inflation +5% which is 6.1%

Risk Management

- The Board is responsible for ensuring effective risk management. The Board's mandate is converted into action in the manner described in the risk management framework. The task of reviewing the effectiveness of risk management rests with the Audit Committee. The risk management process includes all the aspects from deciding risk appetite at the Board level to measurements and feedback at the operational level.

Managing risks is a key aspect in Board's stewardship role. As indicated in our value creation model on pages 28 to 29, risk management is a component of the performance dimension of enterprise governance. DIMO's approach to risk management is described in the risk management framework presented below.

Risk Management Framework



Upon ascertaining the risks that needs to be managed in the back drop of the risk appetite outlined by the Board, the GMC will evaluate the options available to mitigate and manage risks. Continuous monitoring of these activities has been integrated to the operations of the group where Heads of business units, with inputs from the employees, provide useful information and feed-back to the GMC.

Internal control, internal audit and independent assurance provide comfort and assurance on risk management. Whilst the internal controls focus on operations, assurance provided by internal audit and independent assurance focusses on any gaps from identification to management of risks.

The Board is responsible for ensuring effective risk management. The Board's mandate is converted into action in the manner described in the risk management framework. The task of reviewing the effectiveness of risk management rests with the Audit Committee. The risk management process includes all the aspects from deciding risk appetite at the Board level to measurements and feedback at the operational level.

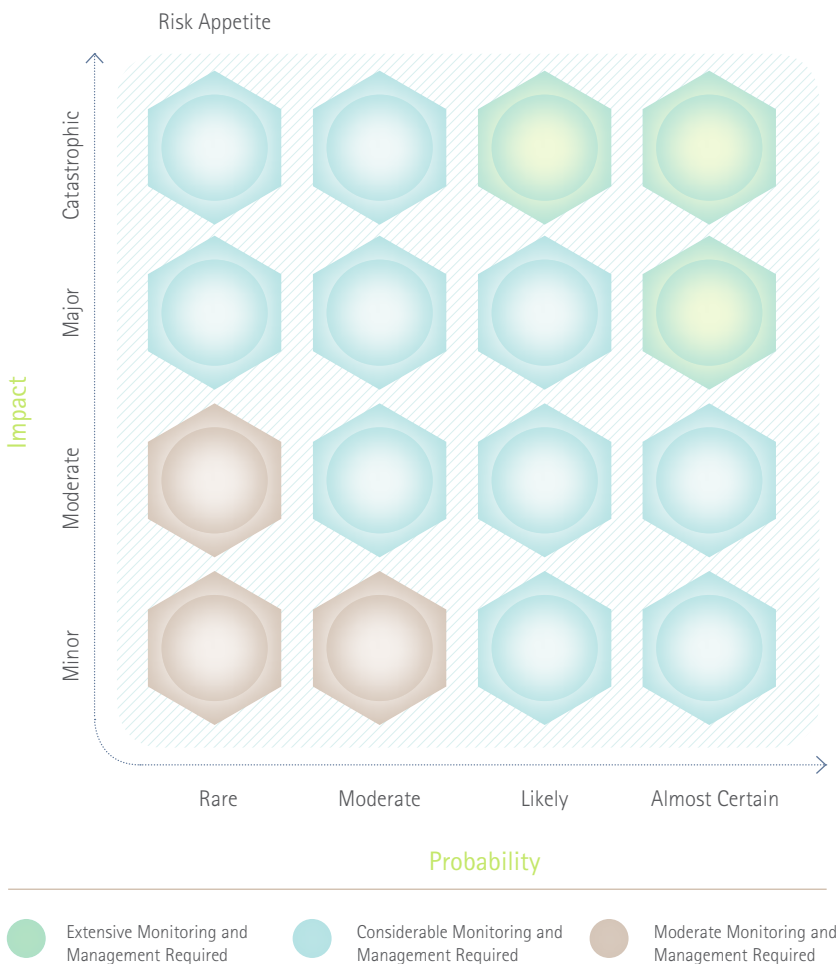
The Group Management Committee (GMC) is tasked with implementing the risk management processes. The GMC examines situations, processes and possible events that exposes the Group to situations that could seriously reduce earnings, threaten its sustenance, impair its liquidity or create legal, regulatory or reputational risks. Whilst the GMC identifies such risks internally, stakeholder engagement provides an opportunity to ascertain any risks based on stakeholder feed-back.

Risk Evaluation and Mapping

Risk evaluation involves assessing the likelihood of occurrence and the potential impact should they occur. Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. A ranking of almost certain, likely, moderate and rare in terms of the probability of occurrence is assigned to 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 major and catastrophic.

A risk map is developed based on the results of the risk assessment. The position of a particular risk on the risk map shows whether the risk is under the DIMO risk appetite or beyond our risk appetite. Accordingly, the extent to which risk mitigation actions are required is determined. Risks and their corresponding mitigating action plans are reviewed by the GMC.

Risk Assessment Matrix




Risk Management

Risk Mitigation

The table given below shows the risks identified with the risk mitigation actions and the change in risk profile :

	Category/ Segment affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				15/16	14/15	13/14	12/13	11/12
01	Monetised Capital	Increase in interest rates impacting on the Group's cost of funding	<ul style="list-style-type: none"> Ensuring a proper mix of short and long term borrowings Maintain an appropriate combination of fixed and floating rate borrowings 					
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"> 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 The Group maintains a desired mixture of Cash and Cash equivalents 					
03	Monetised Capital	Damages resulting from natural disasters such as fire and floods	<ul style="list-style-type: none"> Preventive measures of safety are taken to minimise damage to people and property in the case of fire or floods The Group has a disaster recovery plan in place Indemnity from insurance policies 					
04	Customers	Loss of customers and resulting impact on business due to dissatisfied customers	<ul style="list-style-type: none"> Availability of a Quality Management System. Dedicated unit for Customer Relationship Management Continuous training of employees on customer care and aftercare Inclusion of customer care and customer satisfaction index in employees' and business unit objectives A detailed narrative on delivering value to customers is available from pages 41 to 44 					
05	Employees	Adverse impacts arising from failure to recruit/retain skilled employees	<ul style="list-style-type: none"> Due importance is given to the talent management function of the Group Top management involvement in talent management led by the Human Resources (HR) Department Adoption of Best Practices in Human Resources Management Conducting employee satisfaction surveys Investment in training and development Policy of competitive remuneration More employee-related information is available from pages 47 to 51 					
06	Employees	Losses from low productivity and low employee engagement as a result of industrial disputes	<ul style="list-style-type: none"> An 'Open door policy' is in place to discuss grievances with superiors An employee council meets every month to provide for employee representation HR clinics are held at business locations where representatives from HR Department visit locations to listen to employee grievances 					

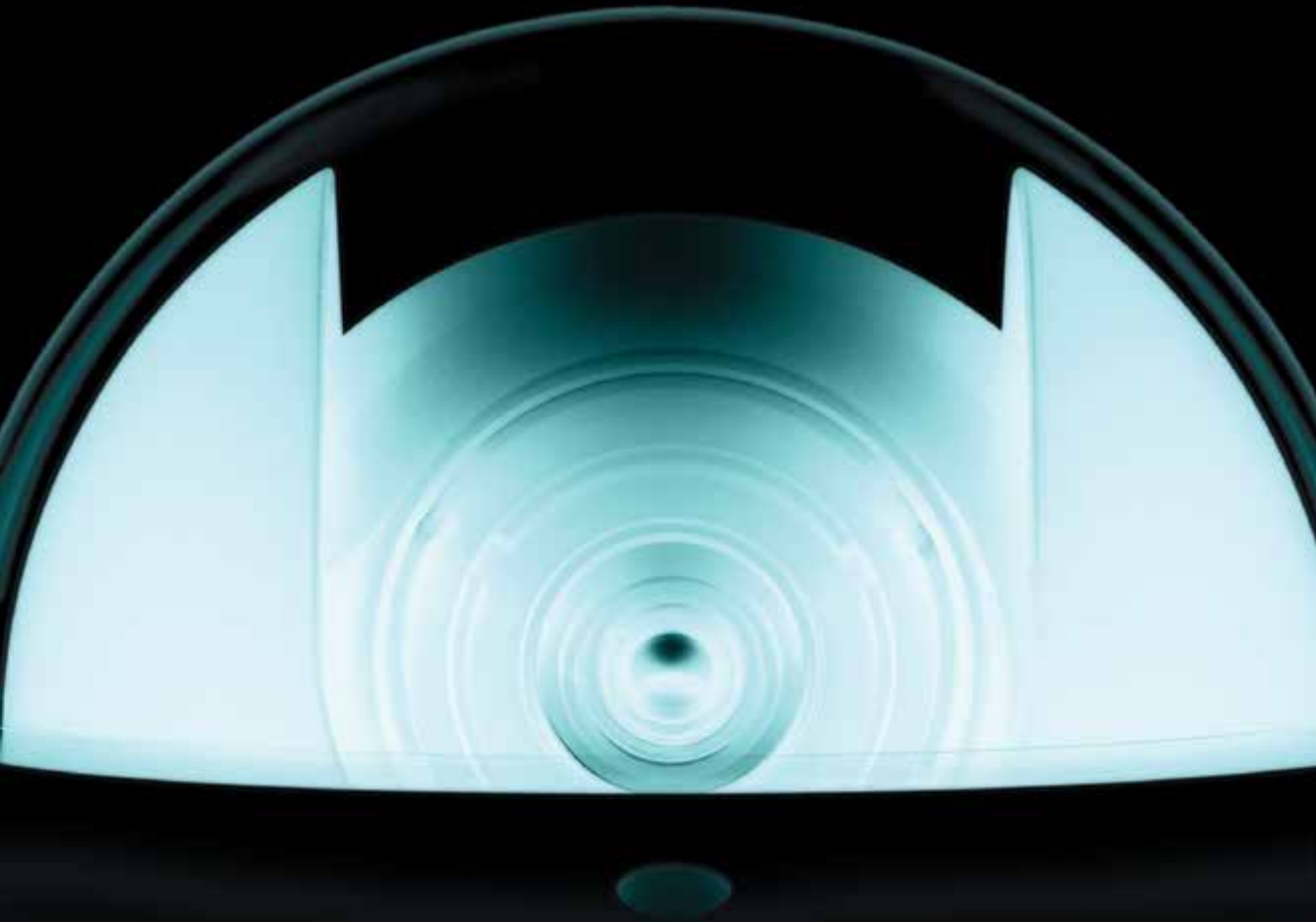
	Category/ Segment affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				15/16	14/15	13/14	12/13	11/12
07	Business Partners	Performance being adversely impacted as a result of disruptions to relationships with principals	<ul style="list-style-type: none"> The Group has focused on developing a mutually beneficial relationship with principals in an effort to minimise the risk Independent survey on expectations of principals Emphasis on meeting expectations of principals Periodic evaluation of principals' satisfaction levels A detailed account of our relationships with principals is given from pages 45 to 46 					
08	Intellectual Capital	Loss of confidential data through security breaches in the IT systems	<ul style="list-style-type: none"> Extensive controls and reviews to maintain security of IT infrastructure and data Regular back up of data and off-site storage of data backup system Disaster recovery plan 					
09	Society	Potential exposure of the Group to financial losses and litigation due to non-compliance with laws or unacceptable corporate behaviour by employees	<ul style="list-style-type: none"> The Code of Business Ethics of the Group requires that all employees comply with laws and regulations 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 and the other requirements of the code Internal and independent assurance provides comfort on compliance with laws and regulations 					
10	Society	<p>Loss of social licence to operate</p> <p>Damage to the reputation and loss of stakeholders' interest as a result of social rejection</p> <p>Loss of reputation arising from corporate behaviour against the interests of the society</p>	<ul style="list-style-type: none"> Engagement in various community related activities, including community development Philanthropy Developing the social and physical infrastructure of the community Upholding of the principles of the Global Compact relating to social development More details on interactions with the community are available on pages 72 to 74 					
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"> Environmental Sustainability is a part of the decision making process in day to day operations and strategy formulation Existence of a Sustainability Committee to manage environmental sustainability related issues The Group's Environmental Management System is accredited with ISO 14001:2004 The Group follows GRI Guidelines on sustainability reporting. The GRI index is available at www.dimolanka.com/sustainability/sustainability-performance 					

Risk Management

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

A very clear picture

This is where we present a very clear picture of how DIMO implements responsible and transparent governance across the company at every level. The conformance aspects of Enterprise Governance are presented in detail in the pages that follow, together with the relevant confirmative statements and reports.



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83	Conformance Report
91	Committee Reports
95	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.

DIMO is committed to principles of good governance and always strives to live by the Best Practices of Corporate Governance. The conformance culture of the Company is strongly embraced by the Board of Directors. The Company follows a policy of strict compliance with mandatory conformance while embracing voluntary adherence to enhance the credibility and stakeholder acceptance and making a positive impact on value creation. 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
24th May 2016

Conformance

Introduction

The conformance aspect of Enterprise Governance advocates compliant, responsible and transparent corporate behaviour and requires a two pronged approach: mandatory compliance and voluntary adherence.

Positive Impact on Value Creation

DIMO regards effective conformance as an uncompromising pursuit that provides the platform to create value in a responsible manner, not as a set of rules that stifles growth. Conformance strengthens and enhances the transparency of the value creation process, providing a solid foundation for the successful exercise of the performance dimension of Enterprise Governance.

Conformance Culture

Conformance requires a high level of commitment across the organization. An enabling conformance culture is created by generating awareness at all levels. All employees are required to respect conformance in achieving their own objectives and those of the Company.

► DIMO regards effective conformance as an uncompromising pursuit that provides the platform to create value in a responsible manner, not as a set of rules that stifles growth. Conformance strengthens and enhances the transparency of the value creation process, providing a solid foundation for the successful exercise of the performance dimension of Enterprise Governance

Aligning conformance requirements with value creation activities and making a conscious effort to continually improve conformance related processes facilitate the continuity of conformance practices across the business.

A Framework to Translate Commitment into Practice

The Board of Directors bears overall responsibility for conformance, which is the basis for ensuring transparency and accountability to all stakeholders. In order to facilitate the fulfilment of these responsibilities, the Board has created a conformance framework to execute its policies

and monitor effectiveness. The conformance framework includes all aspects of compliance and adherence incorporating statutes, regulations, codes and management and control systems within a structure that includes the Board and Management Committees. The framework also has an assurance process that ensures independent assurance and internal audit.

Board of Directors

The Board bears overall responsibility for enterprise governance and consequently, for conformance. For the Board to fully discharge

Conformance Framework

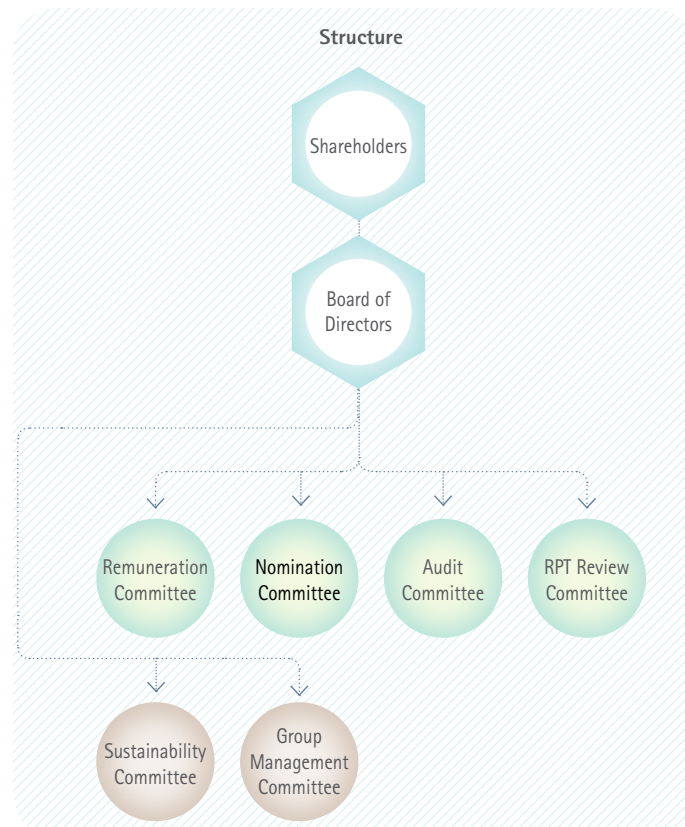
Compliance and Adherence

Mandatory Compliance

- Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995
- Other legislative enhancements affecting the Company
- Listing Rules of Colombo Stock Exchange
- Articles of Association
- SEC regulations

Voluntary Adherence

- Code of best practices jointly issued by SEC and CA Sri Lanka
- UNGC ten principles
- Code of business ethics of DIMO
- GRI guideline for sustainability reporting
- Quality management system
- Environmental management system
- Internal control system



Assurance

Assurance on financial statements

- Independent Audit

Assurance on non-monetised information

- Independent review and assurance report

Internal Audit

- Review of systems, controls, processes and operations

Independent Certifications

- QMS audit and certification
- EMS audit and certification

Conformance Report

✔ **Voluntary adherence strengthens the conformance aspect of Enterprise Governance. It allows the Company to venture beyond mandatory compliance, which the Company considers the "base" for conformance. Voluntary adherence allows DIMO to expand conformance practices to different areas of the business, promoting responsible corporate behaviour, strengthening operations, addressing the expectations of various stakeholder groups and eventually supporting sustained performance.**

its obligations of stewardship, it must be able to govern itself. Therefore, the Board itself is subject to certain regulations of conformance related to its composition and conduct. In addition, the Board is also responsible for conformance across the organisation and its value creation process. Board Committees serve as effective oversight mechanisms that assist the Board in monitoring the effectiveness of conformance and risk management, while the Management Committees oversee execution and performance.

Rule No. 7.10.3 of the listing rules of the Colombo Stock Exchange requires an explanation be provided in the event that a Director is considered an Independent Director after serving the Board continuously for a period more than nine years. Mr. R Seevaratnam and Dr. H Cabral whose tenures as Directors exceeded nine years during the financial year, continue to be considered as Independent Directors. The required explanation is given on pages 98 and 99 in the Report of the Board of Directors.

The Board of Directors' statement on internal controls, as required by section D.1.3 of the Code of Best Practice jointly issued by The Institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission, appears on page 102. The Report of the Board of Directors is available from pages 98 to 100.

Board Committees

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

these committees, with the exception of the Nomination Committee, are mandated by the Listing Rules of the Colombo Stock Exchange and consist of members of the Board. Members of all these committees are Non-Executive Directors except for the Nomination Committee, where the Chairman of the Board serves as a member. The first three committees mentioned above are also recommended by the Code of Best Practice on Corporate Governance jointly issued by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka. Each committee has its own terms of reference.

The composition of the Board Committees is detailed on page 90.

The reports of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review Committee are available on pages 91 to 94.

Statements of Responsibility

The Statement of Directors' Responsibility for Financial Statements as required by the Companies Act No. 07 of 2007 and the Responsibility Statement of the Chairman, Chief Executive Officer and Chief Financial Officer required by circular number 09 of 2008 issued by Securities and Exchange Commission, are available on pages 103 and 95.

Management Committees

The Group Management Committee (GMC) is a management committee appointed by the Board, entrusted with the execution of the performance and conformance aspects of Enterprise Governance. The GMC consists of Executive Directors and members of the

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

The composition of the Group Management Committee is available on pages 24 and 25.

Compliance

The Compliance and Adherence aspect of the conformance framework provides the basis for conformance and identifies the rules that are to be followed by the Board, Board Committees, Management Committees and employees. As identified in the conformance framework, the Compliance and Adherence aspects include statutes and regulations classified into the "mandatory compliance" category and codes, best practices and management and control systems classified into the "voluntary adherence" category.

The constituents of the Compliance and Adherence aspects are used as points of reference as indicated in the table presented on pages 85 and 86 and explained on pages 86 and 87 under "Compliance and Adherence".

Mandatory Compliance

The Companies Act No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 are two key legislative enactments among many others, with which the Company is compliant. The Company is also compliant with the regulations issued by the Securities and Exchange Commission and the Listing Rules of the Colombo Stock Exchange.

Voluntary Adherence

Voluntary adherence strengthens the conformance aspect of Enterprise Governance. It allows the Company to venture beyond mandatory compliance, which the Company considers the "base" for conformance. Voluntary adherence allows DIMO to expand conformance practices to different areas of the business, promoting responsible corporate behaviour, strengthening operations, addressing the

expectations of various stakeholder groups and eventually supporting sustained performance.

Voluntary adherence to the Code of Best Practices jointly issued by the Securities and Exchange Commission of Sri Lanka and CA Sri Lanka enriches the practice of conformance within the Company. The manner in which the Company has adhered to the Code is given in Appendix ii, which also contains conformance related information and forms part of this section.

The Company is also a signatory to the UN Global Compact which deals with concerns of human rights, labour, the environment and anti-corruption.

DIMO's Code of Business Ethics promotes responsible corporate behaviour and is a voluntary initiative of the Company which all employees have signed and agreed to follow. More information on the code is available on page 74 in the section on Impact Management.

The "In accordance - comprehensive" option of the GRI (G4) guidelines followed in sustainability reporting promotes transparency with regard to the economic, societal and environmental

impacts made by the Company. The GRI index available from pages 166 to 169 provides more details on this and helps improve transparency.

The quality management system and environmental management system accredited by ISO 9001:2008 and ISO 14001:2004 respectively and the internal control system, regulate the conformance aspect across DIMO's operations.

Assurance

Assurance on non-monetised information and Financial Statements, Internal Audit and Independent Certifications are key sources of assurance and comfort with regard to the integrity and the due functioning of the conformance framework. These sources of assurance and comfort are depicted in the conformance framework appearing on page 83.

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 headed by the Group Chief Internal Auditor and field work is delegated to a firm of chartered accountants identified for the

purpose by the Audit Committee. Assurance/ Certification on the quality management system, the environmental management system and on the non- financial information presented in this report is obtained from an independent licensed assurance provider.

Point of Reference

The main purpose of all the conformance activities is to ensure that conformance as envisioned by the Board is practiced and the desired results achieved. The following table provides the links among the different aspects of the business such as the capitals and impacts and the strategic outcome expected from each aspect, linking each to the key conformance aspects that facilitate the achievement of the strategic outcome. It also shows the key conformance aspects and their corresponding points of reference. The points of reference refer to the mechanism in place to regulate or achieve the respective aspect of conformance. In order to ascertain the status or effectiveness of the point of reference, please read the table titled "Level of compliance and adherence" that follows the table given below.

Conformance Aspects and Point of Reference

Capital / Activity	Expected Outcome	Key Conformance Aspect	Point of Reference
Monetised Capital	Improved ROCE	Internal control	Audit Committee
		Internal audit	Audit Committee
		Uncertainty management	Risk Management Framework
		Assurance	Audit Committee Independent auditors
Customers	Increased stakeholder satisfaction	Ethical marketing	Quality Management System
		Customer health & safety	Quality Management System
		Customer privacy	Quality Management System
Employees	Increased stakeholder satisfaction	Employee safety	Quality Management System UN Global Compact Principles
		Employee rights	Code of Business Ethics
		Equal opportunities	UN Global Compact Principles
		Reducing gender inequality	Sustainability objectives
		Comply with legislation and regulations relating to employees	Code of Business Ethics
Business Partners	Increased stakeholder satisfaction	Compliance with principals' requirements of ethical practices	Quality Management System
		Honour agreements with principals	Quality Management System

Conformance Report

Capital / Activity	Expected Outcome	Key Conformance Aspect	Point of Reference
Intellectual capital	Enhanced brand reputation	Data security and integrity	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
			CSE Listing Rules
			Articles of Association
Society	Responsible corporate citizen	Anti-corruption	GRI G4 Guidelines
		Responsible corporate behaviour	Code of Business Ethics
Economy	Responsible corporate citizen	Ensure that all taxes are paid correctly and on time	UN Global Compact Principles
Environment	Responsible corporate citizen	Comply with all requirements of the Environment Management System	Legislative enactments appropriate to the Group
		Meet legal and regulatory requirements regarding the environment	Environmental Management System
			Environmental Management System
Value creation activities	Create value responsibly	Meet regulatory standards with regard to product and services	UN Global Compact Principles
		Meet regulatory standards and business ethics in performing supply chain activities	Code of Business Ethics
		Product responsibility	Quality Management System

Level of Compliance and Adherence

All the points of reference identified in the above table ensure better conformance through mandatory compliance and voluntary adherence. The following table elaborates those points of reference and their status of compliance during the year.

Status of Compliance and 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 are disclosed in the table on pages 150 to 165
Listing Rules of the Colombo Stock Exchange	Listing rules to be followed by listed companies in Sri Lanka including on Corporate Governance relating to, among others;	Complied. The compliance level is given in the tables on pages 88 to 89
	– Non Executive Directors	
	– Independent Directors	
	– Disclosures relating to Directors	
	– Remuneration 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
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

A very clear picture

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Point of Reference	Aspect of Regulation	Status
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 166 to 169. The Report on the Independent Assurance obtained on Non- Financial Reporting is available from pages 170 to 172
Environment Management System (EMS)	Meet the requirements of the Group's Environmental Management System accredited by the 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 the 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 the UN Global Compact Ten Principles covering Human Rights, Labour, Environment and Anti – Corruption and also to participate in pursuing sustainable development goals	Communication on progress is available on company's website at www.dimolanka.com/sustainability/sustainability performance
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
Risk Management	To manage risks that the Group is exposed to	Please refer the Risk Management Report on pages 76 to 80

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.

Disclosures required by the Companies Act No.7 of 2007

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	112
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	106-146
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	105
168 (1) (d)	Accounting Policies and any changes therein	112-146
168 (1) e	Particulars of the entries made in the Interests Register during the accounting period	98-100
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	120
168 (1) (g)	Corporate donations made by the Company during the accounting period	120
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	10
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	120
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	98-100
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	98-100

Conformance Report

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 were Non-Executive Directors up to 10th August 2015. Three out of nine Directors were Non-Executive Directors from 10th August 2015 onwards
7.10.2.(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Compliant	Three out of four Non-Executive Directors were independent up to 10th August 2015. Two out of three Non-Executive Directors were independent from 10th August 2015 onwards
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 pages 22 and 23
7.10.3.(b)	Independence of Directors	The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Compliant	The Board has made such determination and the basis for determination of "Independence" is explained in the Annual Report of the Board of Directors. Please refer pages 98 and 99
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 pages 22 and 23
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 90
7.10.5.(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Compliant	The Committee consisted of four Non-Executive Directors up to 10th August 2016 of which three were Independent. It consisted of three Non-Executive Directors of which two were independent from 10th August 2015 onwards. The Chairman of the Remuneration Committee was an Independent Non-Executive Director throughout the year
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 92
7.10.5.(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out;	Compliant	Please refer page 90
		a) Names of the Directors comprising the Remuneration Committee	Compliant	Please refer the Remuneration Committee Report on page 92
		b) Statement of Remuneration policy	Compliant	Please refer the Remuneration Committee Report on page 92
		c) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 120

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Compliant	Names of the members of the Audit Committee are available on page 90
7.10.6.(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent	Compliant	The Committee consisted of four Non-Executive Directors up to 10th August 2015 of which three were independent. The council consisted of three Non-Executive Directors of which two were independent from 10th August 2015 onwards. The Chairman of the Audit Committee was an Independent Non-Executive Director throughout the year
		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)	Functions of Audit Committee	Should be as outlined in the Section 7.10 of the Listing Rules	Compliant	The terms of reference of the Audit Committee 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 the Directors comprising the Audit Committee	Compliant	Please refer page 90
		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 91
		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 91

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

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

Disclosures specified by section 9.3.2 of the Listing Rules of the Colombo Stock Exchange

Disclosures specified by section 9.3.2 of Listing Rules of the Colombo Stock Exchange are contained in this Annual Report. Please refer page 94 for the Related Party Transaction Review Committee Report.

Conformance Report

Composition of the Board and Board Committees and attendance at Meetings for 2015/2016

Board Member	Date of Appointment to the Board		Board		Committee Members							
					Audit Committee		Nomination Committee		Remuneration Committee		Related Part Transactions Review Committee	
	First	Re-election	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	2/2	N/A	-	N/A	-
R. Seevaratnam	January 2007	June 2014	Senior Independent Director	5/6	Chairman	6/7	Member	2/2	Member	2/2	Chairman	3/4
Prof. U.Liyanage**	October 2006	June 2012	Independent Director	0/2	Member	0/4	Member	0/1	Chairman	0/2	Member	0/1
Dr. H. Cabral***	October 2006	June 2014	Independent Director	5/6	Member	6/7	Chairman	2/2	Chairman	2/2	Member	4/4
A.M. Pandithage	September 1982	June 2012	Non-Executive Director	6/6	Member	6/7	Member	2/2	Member	2/2	Member	4/4
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'.

** Ceased to be a Director and the Chairman of Remuneration Committee with effect from 10th August 2015

*** Appointed as the Chairman of the Remuneration Committee with effect from 10th August 2015

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

Board Meeting Date	Gap Between Meetings (days)	Attendance		
		Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
26/05/2015	82	6	1	2
04/08/2015	69	6	1	2
04/09/2015	31	6	1	2
30/10/2015	56	6	1	1
12/02/2016	105	6	1	2
29/03/2016	46	6	1	1

Report of the Audit Committee

Introduction

The Audit Committee is a Committee appointed by the Board of Directors.

Committee Composition

The Committee comprised of three Independent Non- Executive Directors and one Non- Executive Director during the period from 1st April 2015 to 10th August 2015 and two Independent Non- Executive Directors and one Non- Executive Director from 10th August 2015 onwards. The composition of the Committee fulfilled the requirements of the Listing Rule No.7.10.6 of the Colombo Stock Exchange, throughout the financial year. The composition of the Audit Committee is given on page 90.

Terms of Reference

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

Compliance with Financial Reporting

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

The review included:

- Appropriateness and changes in Accounting Policies.
- Significant estimates and judgement made by the management.
- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Adequacy of impairment provisions against assets.
- Issues arising from the Internal and Independent 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 the Company's system of Internal Controls is evaluated through reports provided by the Management, Internal Auditors and Independent External Auditors.

Internal Auditors

The Internal Audit function is headed by the Group Chief Internal Auditor and the fieldwork and reporting is outsourced to Messrs SJMS Associates, a firm of Chartered Accountants. Internal auditors submitted their findings to Audit Committee quarterly and their reports are made available to Independent 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 on pages 76 to 80.

Independent Auditors

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

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

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

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

Meetings

Seven Audit Committee meetings were held during the year ended 31st March 2016. The attendance details are given on page 90. The Internal Auditors attended 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
24th May 2016

Report of the Remuneration Committee

Introduction

The Remuneration Committee is a Committee appointed by the Board of Directors.

Committee Composition

The Committee comprised of three Independent Non- Executive Directors and one Non- Executive Director during the period from 1st April 2015 to 10th August 2015 and two Independent Non- Executive Directors and one Non- Executive Director from 10th August 2015 onwards. The composition of the Committee fulfilled the requirements of the Listing Rule No. 7.10.5 of the Colombo Stock Exchange, throughout the financial year. The composition of the Remuneration Committee is given on page 90.

Role and Responsibilities

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

Terms of Reference

The Committee has 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.

Remuneration Policy

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

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

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 members of the Board, who are considered the Key Management Personnel (KMP).

Directors' Emoluments

The Directors' emoluments are disclosed in Note 4.5 on page 120.

Meetings

The Committee meets as and when a need arises. The Committee met on two occasions during the financial year 2015/16 and the members' attendance record is set out in the Conformance Report on page 90.

Committee Evaluation

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.



Dr. H. Cabral

Chairman - Remuneration Committee

Colombo
24th May 2016

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.

Committee Composition

The members of the Committee and its Chairman are appointed by the Board of Directors. The Committee comprised of three Independent Non- Executive Directors, one Non- Executive Director and the Chairman/ Managing Director during the period from 1st April 2015 to 10th August 2015 and two Independent Non- Executive Directors, one Non- Executive Director and the Chairman/ Managing Director from 10th August 2015 onwards. The composition of the Nomination Committee is given on page 90.

Terms of Reference and Key Activities

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

Meetings

The Committee met on two occasions during the financial year 2015/16 and the members' attendance record is set out in the Conformance Report on page 90.

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.

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

24th May 2016

Report of the Related Party Transactions Review Committee

Introduction

The Related Party Transactions Review Committee was formed by the Board as a Board Committee.

Committee Composition

The Committee comprised of three Independent Non- Executive Directors and one Non- Executive Director during the period from 26th May 2015 to 10th August 2015 and two Independent Non-Executive Directors and one Non- Executive Director from 10th August 2015 onwards. The composition of the Committee fulfilled the requirements of the Listing Rule No. 9.2.2 of the Colombo Stock Exchange, throughout the financial year. The composition of the Related Party Transactions Review Committee is given on page 90.

Terms of Reference

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

Terms of reference of the Committee include the following:

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code;
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.
- If there is any potential conflict in any Related Party Transaction, the Committee may recommend the creation of a special committee to review and approve the proposed Related Party Transaction.

- In the event Related Party Transactions are ongoing (Recurrent Related Party Transactions) the Committee establishes guidelines for senior management to follow in its ongoing dealings with the relevant related party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

Policies and Procedures

The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the data base of the Company.

Meetings

The Committee met on four occasions during the financial year 2015/16 and the members' attendance record is set out in the Conformance Report on page 90.

Related Party Transactions during the Year

The activities and observations of the Committee are communicated to the Board. During the year there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules. Details of other related party transactions entered into by the Company during the year is disclosed in Note 5.1 to the Financial Statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during the year, is given in Annual Report of the Board of Directors on page 99.

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.



R. Seevaratnam

Chairman - Related Party Transactions Review Committee

Colombo
24th May 2016

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/LKASs),
- 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 preparation of the Consolidated Financial Statements are appropriate and consistently applied, except unless otherwise stated in the Notes accompanying the Financial Statements. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Significant Accounting Policies and estimates that involved a high degree of judgement and complexity were discussed with the Audit Committee.

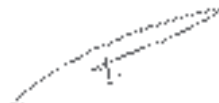
The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made in a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs.

To ensure this, the Company has taken 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 from Ms. SJMS 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 External Auditors.

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



A.R. Pandithage
Chairman/Managing Director



A.G. Pandithage
Director/Group Chief Executive Officer



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

Colombo
24th May 2016

An unambiguous result

The year's financial results are clear and unambiguous. DIMO is proud to present another excellent performance to our stakeholders this year. In this section we present our financial statements and details relating to our financial position and performance, followed by other supplementary information

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Annual Report of the Board of Directors

General

The Directors have pleasure in presenting the Annual Report of the Company for the financial year ended 31st March 2016, that includes and covers the Audited Financial Statements, Chairman's Statement, CEO's review, Enterprise Governance Conformance Report, Risk Management, Capitals Report, Business Report, Impact Management, Committee Reports, Statements of Responsibility, Auditors Report, Independent Assurance on Non- Financial Reporting and other relevant information.

The information table on 'Disclosures required by the Companies Act No. 07 of 2007' appearing on page 87 form part of this Annual Report of the Board of Directors.

The Annual Report of the Company including the Annual Report of the Directors was adopted by the Board of Directors on 24th May 2016. The required number of copies of the Company's Annual Report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the stipulated time.

Group Structure and Nature of Operations

The Group structure and names of Directors of the Company and its subsidiaries are available on page 10.

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 112. 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 4. 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 54 to 61).

Disclosures

The Annual Report of the Company fulfils the disclosure requirements of the Sri Lanka Accounting Standards (SLFRs/LKASs), Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Financial Statements

The Financial Statements of the Group and the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs/LKASs), issued by The Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No. 07 of 2007 and Listing Rules of Colombo stock Exchange. The aforementioned Financial Statements for the year ended 31st March 2016 duly signed by the Chief Financial Officer (a member of the Board) and one other Director, are given on pages 106 to 146.

Financial Results and Appropriations Turnover

The total gross turnover generated by the five business segments of the Group was Rs. 37,750 million (2014/15 - Rs. 28,037 million) while the turnover of the Company was Rs. 35,403 million (2014/15 - Rs. 26,179 million). A segment wise analysis is given in Note 4.2 appearing on page 116.

Profit and Appropriations

The profit after tax of the Group was Rs. 947 million (2014/15 - Rs. 596 million) while it was Rs. 740 million (2014/15 - Rs. 547 million) for the Company.

The Group's total other comprehensive income for the year was Rs. 929 million (2014/15 - Rs. 1,409 million) and the corresponding figure for the Company was Rs. 724 million (2014/15 - Rs.1,361 million)

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

The Board of Directors

As at 31st March 2016, the Board of Directors of the Company consisted of nine members. The information on Directors of the Company is available in the Directors' Profile on pages from 22 to 23.

Names of the Directors of subsidiary Companies are given on page 10.

New Appointments and Resignation of Directors

There were no new appointments made to the Board, during the financial year ended 31st March 2016. Prof. U. Liyanage ceased to be a Director of the Company with effect from 10th August 2015, due to his demise.

Retirement and Re-election of Directors

Mr. A.G. Pandithage, Mr. R.C. Weerawardena and Mr. A.N. Algama 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 72.

Independence of Non-Executive Directors

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

Dr. H. Cabral and Mr. R. Seevaratnam completed nine years in office as Non- Executive Directors on 30th September 2015 and 31st December 2015 respectively.

The Board recognises that Dr. H. Cabral and MR. R. Seevaratnam have acted in an independent manner over the years bringing their independent judgement upon matters relating to the Board Committees and the Board. The Board is of the opinion that there

is no reason to believe that their status as 'Independent' Directors have been impaired in any manner due to their tenure in office. Having taken into account all relevant aspects, the Board determined that Dr. H. Cabral and Mr. R. Seevaratnam continue as 'Independent Non-Executive Directors' of the Company.

Board and Board Committee Meetings

The number of Board meetings, Audit Committee meetings, Nomination Committee meetings, Remuneration Committee meetings and Related Party Transactions Review Committee meetings held during the year and the attendance of Directors at these meetings are given on page 90 of Conformance Report.

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.

Directors' Remuneration

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

Directors Shareholdings

Shareholdings of Directors and their spouses are given on page 149 under 'Share Information'.

Dr. H Cabral, Mr. B.C.S.A.P. Gooneratne, 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 2016.

Interest Register and Directors' Interests in Contracts/Proposed Contracts

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

During the year, entries made in the Interest Register consisted of Directors' interests in contracts, remuneration paid to the Directors and renewal of Directors' and officers' liability insurance. The Interest Register is available at the registered 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' Interests in Contracts are given on page 101 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.

Related Party Transactions

There are no related party transactions which exceed the threshold of 10 percent of the equity or 5 percent of the total assets, whichever is lower in relation to non-recurrent related party transactions or 10 percent of the gross revenue in relation to recurrent related party transactions. The Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

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

Accounting Policies

The significant Accounting Policies adopted by the Group and the Company are given on pages 116 to 144.

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 2016 and of their performance for the year ended on that date. There were no changes to the Accounting Policies used by the Group and the Company during the year.

Independent Auditors Appointment and Remuneration

The Company's Independent 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 105 of this Annual Report.

The details of their remuneration are given in Note 4.5 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any 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. Further details are discussed in the Conformance Report, Audit Committee Report and Board of Directors' Statement on Internal Controls, which are available on pages 83 to 90 and page 91, 102 respectively.

Declaration

The Directors declare that:

- I. to the best of their knowledge and belief, the Group/Company has not engaged in any activity, which contravenes laws and regulations of the country.
- II. all material interests in contracts involving the Company has been disclosed and refrained from voting on matters in which they were materially interested.
- III. the Company has made all endeavours to ensure equitable treatment of all shareholders.
- IV. the business is a going concern and that the Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company as a going concern.
- V. 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.

Enterprise Governance

The table on page 150 to 165 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

Annual Report of the Board of Directors

introduction to Enterprise Governance at DIMO and the Conformance Report are available on pages 26 and from 83 to 90 respectively.

Responsible Corporate Behaviour

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

Material Foreseeable Risk Factors

Information pertaining to material foreseeable risk factors are discussed in the Risk Management Report on pages 76 to 80.

Employment

The Group practices and policies relating to selection, training, development, promotion and employee relations are detailed in the section titled 'Human Capital' on pages 47 to 51.

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

Share Information

Information relating to distribution of shareholdings, market value, public shareholding and top twenty shareholders are available on pages 148 to 149 under 'Share Information'.

Donations

The Group and the Company made donations during the year amounting to Rs. 2.8 million and Rs. 2.2 million respectively (2014/15 - Group: Rs.11.5 million, Company - Rs.11.4 million).

Property Plant and Equipment and Intangible Assets

The Group and the Company incurred Rs. 284 million and Rs. 269 million respectively (2014/15 - Group Rs. 733 million, Company Rs. 747 million) on property plant and equipment, details of which are available in Note 4.9 to the Financial Statements.

There were no investment in intangible assets during the year by the Company (2014/15 - Zero) as disclosed in Note 4.11 to the Financial Statements.

Specific information on extent, location and valuations of the land and buildings held by the Company are given in Note 4.9.1 to the Financial Statements.

Market Value of Freehold Land

A qualified independent valuer carried out a revaluation of the Company's freehold land on 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

The stated capital of the Company as at 31st March 2016 amounted to Rs. 425 million (2014/15- Rs. 425 million), details of which are available in Note 4.19 to the Financial Statements. There were no shares issued during the financial year.

Statutory Payments

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

Environmental Protection

Policies and endeavours made on environmental preservation by the Group and the Company are detailed in Impact Management Report on pages 62 to 74.

Events Occurring After the Reporting Period

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 Note 5.4 to the Financial Statements on pages 146.

Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company, No. 65, Jetawana Road, Colombo 14 on Wednesday, 29th June 2016 at 2.00 p.m. The notice of Annual General Meeting is given on page 176.

By order of the Board of Directors,



A.R. Pandithage
Chairman/Managing Director



A.G. Pandithage
Director/Group Chief Executive Officer



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

Colombo
24th May 2016

Directors' Interests 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	Outstanding as at 31.03.2016 Receivable/ (Payables) Rs.'000	Outstanding as at 31.03.2015 Receivable/ (Payables) Rs.'000
Mr. A.M Pandithage				
Lanka Orient Express Lines Ltd	Director	Repairing and servicing of vehicles	47	39
Logiventures (pvt) Ltd	Director	Repairing and servicing of vehicles	290	89
		Sales of vehicle	10,525	10,525
		Sales of spare parts	209	471
Logiwiz Ltd	Director	Repairing and servicing of vehicles	6	224
		Sales of spare parts	175	-
Logiwiz N W (Pvt) Ltd	Director	Repairing and servicing of vehicles	180	-
		Sales of spare parts	111	-
Alumex PLC*	Director	Repairing and servicing of vehicles	55	53
Amaya Leisure PLC	Director	Repairing and servicing of vehicles	-	61
Dipped Products PLC	Director	Repairing and servicing of vehicles	30	170
Haycarb PLC	Director	Repairing and servicing of vehicles	381	452
Hayleys Free Zone Ltd	Director	Sales of vehicle	-	999
Hayleys Industrial Solutions Ltd	Director	Repairing and servicing of vehicles	63	149
Hayleys Fabric PLC	Director	Repairing and servicing of vehicles	45	44
Mabroc Teas (Pvt) Ltd	Director	Repairing and servicing of vehicles	3	4
Talawakelle Tea Estates PLC	Director	Repairing and servicing of vehicles	412	180
The Kingsbury PLC	Director	Sales of spare parts	-	933
Grossart (Pvt) Ltd	Director	Repairing and servicing of vehicles	4	-
Hayleys Advantis Ltd	Director	Sales of spare parts	3	-
Hayleys Agricultural Holdings (Pvt) Ltd**	Director	Sales of vehicle	740	-
Hayles Global Beverages (Pvt) Ltd	Director	Repairing and servicing of vehicles	7	-
		Sales of spare parts	8	-
Horana Plantations PLC	Director	Sales of spare parts	37	-
Kelani Valley Plantations PLC	Director	Repairing and servicing of vehicles	40	-
Logistics International Ltd	Director	Repairing and servicing of vehicles	354	-
		Sales of spare parts	56	-
Venigros (Pvt) Ltd	Director	Sales of spare parts	1,087	-
Mr. R. Seevaratnam				
Omega Line Limited	Non-executive Director	Repairing and servicing of vehicles	14	774
		Sales of spare parts	3	-
Alpha Apparels Ltd	Non-executive Director	Repairing and servicing of vehicles	333	1
Sirio Limited	Non-executive Director	Sales of spare parts	-	422
Dr. Harsha Cabral				
Tokyo Cement Company (Lanka) PLC***	Chairman	Sales of spare parts	298	175
		Repairing and servicing of vehicles	1,636	3,201
		Sale of vehicles	1,720	-
Tokyo Super Cement Company Lanka (pvt) Ltd	Director	Sales of spare parts	92	9
Tokyo Cement Power (Lanka) Ltd	Director	Repairing and servicing of vehicles	995	798
Lanka Orix Finace PLC	Director	Sale of vehicles	50,495	42,253
Richard Peiris Distributors Ltd	Director	Sales of spare parts	5,416	4,687

* Dr. Harsha Cabral is also a Director

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

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

Board of Directors' Statement on Internal Controls

Requirement

The Section D.1.3 of the 'Code of Best Practice on Corporate Governance 2013' (The Code) issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Statement on Internal Controls in the Annual Report.

Responsibility

Maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets is the responsibility of the Board of Directors.

However, an internal control system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against successful management of risks, financial losses or fraud.

The Board identifies significant risks on an ongoing basis and ensure implementation of appropriate procedures to evaluate and manage the identified risks.

Key Internal Control Processes

- The Board Committees and Management Committee are established to assist the Board in ensuring the effectiveness of the Group's operations and that the Group's operations are directed towards corporate objectives, strategy, annual budget, policies, taking in to consideration the business environment and internal operating conditions.
- The Group Internal Audit function provides comfort on the efficiency and effectiveness of the Internal Control System. 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 level of risk assessed. The audit plan is reviewed and approved by the Audit Committee.

- The Audit Committee reviews internal control issues identified by the Group Internal Auditors, the Independent External Auditors, regulatory authorities and the management evaluates the adequacy of the internal control system.

Confirmation Statement

The Board of Directors of Diesel & Motor Engineering PLC ('Group') confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and regulatory requirements.



A.R. Pandithage
Chairman/Managing Director



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



R. Seevaratnam
Chairman-Audit Committee

Colombo
24th May 2016

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. Statement of Profit of Loss and Other 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 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 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 105.

Messrs KPMG, Chartered Accountants, the Independent External Auditors of the Company has examined the Financial Statements and the related records and information. Their opinion on Financial Statements is given on page 105.

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2016 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/Secretary/Chief Financial Officer

Colombo
 24th May 2016

Financial Calendar

Interim Financial Statements

Three months ended 30th June 2015 – 04th August 2015

Six months ended 30th September 2015 – 30th October 2015

Nine months ended 31st December 2015 – 12th February 2016

Twelve months ended 31st March 2016 – 24th May 2016

Dividends

Final dividend for 2015/2016 – 10th June 2016

Annual Report – Financial year ended 31st March 2016 – 7th June 2016

71st Annual General Meeting – 29th June 2016

Independent Auditors' Report



KPMG
Chartered Accountants
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TO THE SHAREHOLDERS OF DIESEL & MOTOR ENGINEERING PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Diesel & 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 2016, 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 107 to 146.

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 2016, 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:

- The basis of opinion and scope and limitations of the audit are as stated above.
- 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 2016, 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

24 May 2016

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. Mihula FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne FCA
R.M.D.B. Rajapakse FCA

C.P. Jayatilaka FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. S.K.D.T.N. Rodrigo FCA

Principals - S.R.L. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Section 1 – Financial Statements

This section provides the key Financial Statements relating to financial performance, position and cash flows of the Group and the Company, which comprises of the following:

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

Statement of Financial Position: Financial position

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

Statement of Cash Flows: Cash flows

Notes to the Financial Statements: Comprising of 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		
		2016 Rs. '000	2015 Rs. '000	Change %	2016 Rs. '000	2015 Rs. '000	Change %
Revenue	4.2	37,749,750	28,037,376	35	35,403,232	26,179,115	35
Sales taxes		(245,170)	(244,119)	0	(208,378)	(218,412)	(5)
Net revenue		37,504,580	27,793,257	35	35,194,854	25,960,703	36
Cost of sales		(30,967,983)	(22,721,291)	36	(29,408,729)	(21,417,468)	37
Gross profit		6,536,597	5,071,966	29	5,786,125	4,543,235	27
Other operating income	4.3	86,141	51,742	66	103,147	63,480	62
Distribution expenses		(1,083,595)	(603,003)	80	(994,715)	(561,206)	77
Administrative expenses		(3,907,855)	(3,344,844)	17	(3,529,057)	(2,986,459)	18
Operating profit		1,631,288	1,175,861	39	1,365,500	1,059,050	29
Finance income		219,079	94,172	133	194,578	106,730	82
Finance costs		(470,308)	(423,000)	11	(468,036)	(415,462)	13
Net finance costs	4.4	(251,229)	(328,828)	(24)	(273,458)	(308,732)	(11)
Profit before tax	4.5	1,380,059	847,033	63	1,092,042	750,318	46
Income tax expense	4.6	(433,453)	(250,950)	73	(352,319)	(203,757)	73
Profit for the year		946,606	596,083	59	739,723	546,561	35

Other Comprehensive Income

Items that will not be reclassified to profit or loss

Remeasurement of defined benefit obligation	4.22.1	(24,719)	(10,128)	144	(22,565)	(7,725)	192
Revaluation of freehold land	4.9	-	818,525	(100)	-	818,525	(100)
Deferred tax charge on actuarial loss	4.6.2	6,921	2,835	144	6,318	2,163	192
		(17,798)	811,232	(102)	(16,247)	812,963	(102)

Items that are or may be reclassified subsequently to profit or loss

Net fair value gains on remeasuring

financial assets-available-for-sale		462	1,894	(76)	466	1,889	(75)
		462	1,894	(76)	466	1,889	(75)
Total other comprehensive income, net of tax		(17,336)	813,126	(102)	(15,781)	814,852	(102)
Total comprehensive income for the year		929,270	1,409,209	(34)	723,942	1,361,413	(47)

Basic and diluted earnings per share - (Rs.)	4.7	106.64	67.15		83.34	61.57	
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Figures in brackets indicate deductions.

The Notes appearing on pages 112 to 146 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Note	Group		Company	
		2016	2015	2016	2015
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Property, plant and equipment	4.9	7,935,112	7,981,082	7,951,099	8,005,699
Lease rentals paid in advance	4.10	24,526	26,731	24,526	26,731
Intangible assets	4.11	14,293	24,750	14,293	24,750
Investments in subsidiaries	4.12	-	-	23,350	23,350
Financial assets-available-for-sale	4.14	7,179	6,717	7,156	6,690
Deferred tax assets	4.23	1,711	77	-	-
Total non-current assets		7,982,821	8,039,357	8,020,424	8,087,220
Inventories	4.15	7,607,292	4,778,575	7,326,211	4,596,100
Trade and other receivables	4.16	3,877,074	4,118,726	3,092,234	3,451,804
Other current assets	4.17	689,317	804,148	596,502	739,714
Current tax asset	4.28	-	1,265	-	3,301
Amounts due from subsidiaries	4.29.1	-	-	53,714	18,951
Cash and cash equivalents	4.18	176,140	208,139	164,243	186,676
Total current assets		12,349,823	9,910,853	11,232,904	8,996,546
Total assets		20,332,644	17,950,210	19,253,328	17,083,766
Equity and Liabilities					
Equity					
Stated capital	4.19	425,297	425,297	425,297	425,297
Other components of equity	4.20.1	2,839,356	2,838,894	2,839,341	2,838,875
Revenue reserves	4.20	6,725,026	5,973,747	5,869,788	5,323,841
Total equity attributable to the equity holders of the Company		9,989,679	9,237,938	9,134,426	8,588,013
Long-term borrowings	4.21.1	907,030	1,175,330	907,030	1,175,330
Employee benefits	4.22	500,505	415,647	468,525	390,664
Deferred tax liabilities	4.23	182,161	125,469	182,161	124,860
Deferred income	4.24	354,755	173,243	158,313	123,584
Total non-current liabilities		1,944,451	1,889,689	1,716,029	1,814,438
Trade payables	4.26	1,645,819	1,981,182	1,565,629	1,882,388
Other current liabilities	4.27	1,112,860	762,893	888,778	660,219
Current portion of long-term borrowings	4.21.1	394,960	421,780	394,960	421,780
Current tax liability	4.28	65,010	-	23,004	-
Short-term borrowings	4.21.2	5,179,865	3,656,728	5,147,647	3,620,807
Amounts due to subsidiaries	4.29.1	-	-	382,855	96,121
Total current liabilities		8,398,514	6,822,583	8,402,873	6,681,315
Total liabilities		10,342,965	8,712,272	10,118,902	8,495,753
Total equity and liabilities		20,332,644	17,950,210	19,253,328	17,083,766
Net assets per share		1,125.42	1,040.73	1,029.06	967.51

Certification

These Financial Statements as set out on pages 106 to 146 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

24th May 2016
Colombo

The Notes appearing on pages 112 to 146 form an integral part of these Financial Statements.

Statement of Changes in Equity

		Other Components of Equity			Revenue Reserves		Total
	Note	Stated Capital	Revaluation Reserve	Available-for-Sale Reserve	General Reserve	Retained Earnings	
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
As at 01st April 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, net of tax		-	818,525	1,894	-	(7,293)	813,126
Total comprehensive income		-	818,525	1,894	-	588,790	1,409,209
Transaction with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2013/14 First and final dividend		-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	-	225,000	(225,000)	-
Total contributions and distributions		-	-	-	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
Profit for the year		-	-	-	-	946,606	946,606
Other comprehensive income, net of tax		-	-	462	-	(17,798)	(17,336)
Total comprehensive income		-	-	462	-	928,808	929,270
Transaction with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2014/15 First and final dividend	4.8	-	-	-	-	(177,529)	(177,529)
Transfer during the year		-	-	-	275,000	(275,000)	-
Total contributions and distributions		-	-	-	275,000	(452,529)	(177,529)
As at 31st March 2016		425,297	2,833,277	6,079	4,617,290	2,107,736	9,989,679
Company							
As at 01st April 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, net of tax		-	818,525	1,889	-	(5,562)	814,852
Total comprehensive income		-	818,525	1,889	-	540,999	1,361,413
Transaction with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2013/14 First and final dividend		-	-	-	-	(88,764)	(88,764)
Transfer during the year		-	-	-	175,000	(175,000)	-
Total contributions and distributions		-	-	-	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
Profit for the year		-	-	-	-	739,723	739,723
Other comprehensive income, net of tax		-	-	466	-	(16,247)	(15,781)
Total comprehensive income		-	-	466	-	723,476	723,942
Transaction with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2014/15 First and final dividend	4.8	-	-	-	-	(177,529)	(177,529)
Transfer during the year		-	-	-	250,000	(250,000)	-
Total contributions and distributions		-	-	-	250,000	(427,529)	(177,529)
As at 31st March 2016		425,297	2,833,277	6,064	4,329,464	1,540,324	9,134,426

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 112 to 146 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st March	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cash Flows from Operating Activities					
Profit before taxation		1,380,059	847,033	1,092,042	750,318
Adjustments for					
Depreciation on property, plant and equipment	4.9	306,042	298,179	300,678	291,081
Amortisation of intangible assets and lease rentals	4.10/4.11	12,662	13,178	12,662	13,178
Amortisation of deferred income		181,512	82,225	34,729	65,893
Reversal of impairment of investments in subsidiaries	4.12.1	-	-	-	(2,705)
Gains on sale of property, plant and equipment	4.3	(16,225)	(22,018)	(17,572)	(22,030)
Derecognition of capital work-in-progress	4.9	3,076	7,280	3,132	7,280
Interest expenses	4.4	470,308	423,000	468,036	415,462
Interest income	4.4	(23,496)	(21,786)	(21,060)	(21,284)
Dividend income	4.3	(298)	(48)	(11,368)	(15,798)
Foreign currency loan translation variance	4.21.1.1	22,542	16,238	22,542	16,238
Provision for impairment of trade receivables	4.5	217,012	7,810	195,552	7,709
Provision for/(reversal of) slow moving inventories	4.5	6,215	3,328	16,423	(15,575)
Provision for employee benefits obligation excluding actuarial loss	4.5.1	78,492	67,428	71,859	61,794
		2,637,901	1,721,847	2,167,655	1,551,561
Changes in working capital					
(Increase)/decrease in inventories		(2,834,932)	85,738	(2,746,534)	175,419
(Increase)/decrease in trade and other receivables		24,640	(1,383,663)	164,018	(1,359,518)
(Increase)/decrease in other current assets		114,831	(383,062)	143,212	(347,862)
(Increase)/decrease in amounts due from subsidiaries		-	-	(34,763)	37,517
Increase/(decrease) in trade payables		(335,363)	772,845	(316,759)	752,774
Increase in other current liabilities		333,253	337,031	211,845	260,843
Increase/(decrease) in amounts due to subsidiaries		-	-	286,734	(129,214)
Cash generated from/(used in) operating activities		(59,670)	1,150,736	(124,592)	941,520
Interest paid		(453,594)	(424,097)	(451,322)	(416,559)
Employee benefits paid	4.22	(18,353)	(11,551)	(16,563)	(11,376)
Income tax paid	4.28	(305,199)	(67,039)	(262,395)	(1,054)
Net cash from/(used in) operating activities		(836,816)	648,049	(854,872)	512,531

An unambiguous result

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For the year ended 31st March	Note	Group		Company	
		2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment		37,156	34,001	37,001	34,001
Dividends received		298	48	11,368	15,798
Interest received		23,496	21,786	21,060	21,284
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	(284,079)	(733,243)	(268,639)	(746,571)
Net cash used in investing activities		(223,129)	(677,408)	(199,210)	(675,488)
Cash Flows from Financing Activities					
Proceeds from long-term borrowings	4.21.1.1	800,000	600,000	800,000	600,000
Repayment of long-term borrowings	4.21.1.1	(1,117,662)	(851,971)	(1,117,662)	(851,971)
Dividends paid	4.20	(177,529)	(88,764)	(177,529)	(88,764)
Net cash used in financing activities		(495,191)	(340,735)	(495,191)	(340,735)
Net decrease in cash and cash equivalents		(1,555,136)	(370,094)	(1,549,273)	(503,692)
Cash and cash equivalents as at 1st April		(3,448,589)	(3,078,495)	(3,434,131)	(2,930,439)
Cash and cash equivalents as at 31st March (Note-A)		(5,003,725)	(3,448,589)	(4,983,404)	(3,434,131)
Note-A					
Analysis of Cash and Cash Equivalents as at 31st March					
Cash and bank balances	4.18	176,140	208,139	164,243	186,676
Short-term borrowings	4.21.2	(5,179,865)	(3,656,728)	(5,147,647)	(3,620,807)
Cash and cash equivalents		(5,003,725)	(3,448,589)	(4,983,404)	(3,434,131)

Figures in brackets indicate deductions.

The Notes appearing on pages 112 to 146 form an integral part of these Financial Statements.

Section 2 – Corporate Information

This section gives a description of the reporting entity, the principal business 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 public 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 2016 comprise of 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 an identifiable parent of its own. The Company is the ultimate parent of the Group.

There were no significant changes in the nature of the principal business activities of the Group and the Company during the financial year under review. The activities of the Group are described in more detail in the 'Group Structure' on page 10.

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 the Group entities.

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st March 2016, were authorised for issue by the Board of Directors on 24th May 2016.

2.3 Principal Business Activities and Nature of Operations

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

Entity	Principal Business Activities
The Company	
Diesel & Motor Engineering PLC	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, earth moving machinery, car parking systems, power tools, lamps, batteries, import & sale of vehicle spares, components, accessories, providing lighting solutions and storage systems.
Fully-owned subsidiaries	
DIMO (Private) Ltd	Sale and after sales services of bio-medical equipment, power engineering equipment and systems, building technologies, generator sets, industrial refrigeration systems, diesel engines for marine propulsion & rail traction, and fluid management systems.
DIMO Travels (Private) Ltd	Provision of transportation facilities.
DIMO Industries (Private) Ltd	Import and sale of tyres.

Section 3 – Basis of Accounting

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.

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 98 to 100, 103 and 108 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 being 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 thousands, except where otherwise indicated.

3.6 Summary of Significant Accounting Judgements, Estimates and Assumptions

In preparing these Financial Statements of the Group/Company, the Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Judgements 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 judgements and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

The Management considered the following items, where significant judgements, 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, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's/Company's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

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

- Impairment of non financial assets (Note 3.8)
Management judgement is used when assessing the indicators of impairment.
- Income tax (Note 4.6)
- Deferred tax (Note 4.23)
- Provision for impairment of trade receivables (Note 4.16)
- Employee benefits (Note 4.22)
- Provision for impairment of investments in subsidiaries (Note 4.12)
- Provisions and contingent liabilities (Note 4.25)

Basis of Accounting

3.7 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.

The Management considers the accounting policy relating to revenue recognition to be significant accounting policy. This policy is presented in more detail in Note 4.1.

In addition, the accounting policies relating to the following are considered relevant for the understanding of these 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)

3.8 General Accounting Policies

Basis of consolidation

The Group's Financial Statements comprise of consolidation of the Financial Statements of the Company and 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. At each reporting date the Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control mentioned above. The Financial Statements of all the subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

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

The 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, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency translation

Transactions and balances

Transactions in foreign currencies are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated 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 in the Statement of Profit or Loss.

Impairment of non-financial assets

The carrying amount of 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 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 is largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss and 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.

Statement of cash flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing of cash flows in accordance with Sri Lanka Accounting Standard-LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 4.18.

3.9 New Accounting Standards Issued but not yet Effective

Some of the new Standards and amendments to Standards, which have been issued but not yet effective for the financial year commencing 1st April 2015, have not been applied in preparing these Consolidated Financial Statements.

New or amended Standards	Summary of the requirements	Possible impact on Financial Statements
SLFRS 9 –'Financial Instruments'	<ul style="list-style-type: none"> SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 01st January 2018. 	The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 9.
SLFRS 15-'Revenue from Contracts with Customers'	<ul style="list-style-type: none"> SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts'. SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2018. 	The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 15.

The following new or amended Accounting Standards are effective for annual reporting periods beginning on or after 01st January 2016 and they are not expected to have a significant impact on the Financial Statements of the Group.

- Disclosure Initiative (Amendment to LKAS 1)
- Equity Method in Separate Financial Statements (Amendment to LKAS 27)
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28)
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28)
- Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41)
- SLFRS 14-'Regulatory Deferral Account'

Section 4 – Specific Accounting Policies and Notes

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

4.1 Revenue

Accounting Policy

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customers, to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and 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.

Rendering of services

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

Constructions related contracts

Revenue from construction related contracts is recognised in Profit or Loss 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 Operating Segment Information

Accounting Policy

The operating business segments 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 Board of Directors regularly reviews the operating results of all operating business segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, is measured differently from operating profit or loss in the Consolidated Financial Statements.

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

Reportable segments	Operations
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 vehicles-sale segment, sale of franchised vehicle spare parts, accessories and components.
Marketing and Distributions	Sale and service of power tools and accessories, lamps, batteries, lighting controls, switchgear, fittings and accessories, tyres, original equipment spare parts and auto components.
Construction and Material Handling Equipment	Sales and services of earth moving machinery, road construction machinery, material handling machinery, forklifts, storage systems, dock levellers, car parking systems and gondolas.
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 on a Group basis and are not allocated to operating business segments.

Sales to any single customer does not represent more than 10% of the total sales and no segments are determined based on the geographical area as all the segments are operating in the same economic environment.

An unambiguous result

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Segmental Results, Assets and Liabilities

Group

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Electro-Mechanical, Bio-Medical and Marine Engineering		Total	
For the year ended 31st March	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Business Segment Turnover and Results												
Total segment revenue	27,323,634	18,806,431	3,699,413	3,026,017	3,934,088	3,419,260	1,602,575	1,806,465	2,188,449	1,815,760	38,748,159	28,873,933
Inter-segment revenue	(40,754)	(8,846)	(819,969)	(657,403)	(73,286)	(68,525)	(43,689)	(56,649)	(20,711)	(45,134)	(998,409)	(836,557)
Total external revenue	27,282,880	18,797,585	2,879,444	2,368,614	3,860,802	3,350,735	1,558,886	1,749,816	2,167,738	1,770,626	37,749,750	28,037,376
Segment results	1,946,405	1,394,122	492,275	407,259	258,682	295,923	169,523	201,221	277,605	152,363	3,144,490	2,450,888
Unallocated other income	-	-	-	-	-	-	-	-	-	-	86,141	51,742
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(1,599,343)	(1,326,769)
Finance costs- net	-	-	-	-	-	-	-	-	-	-	(251,229)	(328,828)
Income tax expense	-	-	-	-	-	-	-	-	-	-	(433,453)	(250,950)
Profit for the year	-	-	-	-	-	-	-	-	-	-	946,606	596,083

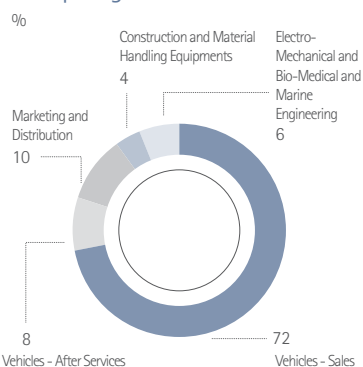
Business Segment Assets and Liabilities

Segment assets	6,280,762	3,639,242	1,654,312	1,466,620	2,466,779	1,759,877	1,132,248	1,067,082	1,644,984	1,359,269	13,179,085	9,292,090
Unallocated assets	-	-	-	-	-	-	-	-	-	-	7,153,559	8,658,120
Total assets											20,332,644	17,950,210
Segment liabilities	2,641,101	1,892,333	520,752	238,170	647,725	299,093	246,404	375,313	217,318	5,059	4,273,300	2,809,968
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	6,069,665	5,902,304
Equity	-	-	-	-	-	-	-	-	-	-	9,989,679	9,237,938
Total equity and liabilities											20,332,644	17,950,210

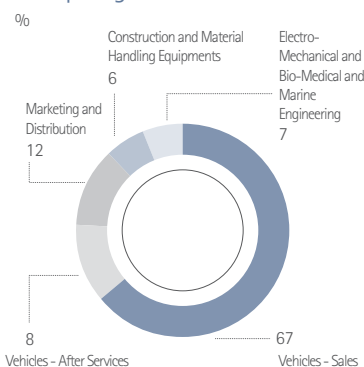
Other Information

Capital expenditure	27,792	21,040	63,364	47,251	10,320	3,386	4,487	7,180	15,576	6,123	121,539	84,980
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	162,540	648,263
Depreciation and amortisation	25,541	30,501	97,039	91,659	12,762	16,844	5,412	5,613	8,973	10,264	149,727	154,881
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	168,977	156,476

Group-Segment Revenue 2016



Group-Segment Revenue 2015



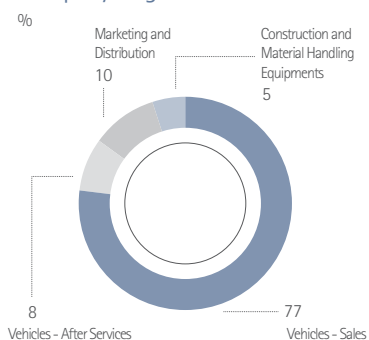
Specific Accounting Policies and Notes

Segmental Results, Assets and Liabilities

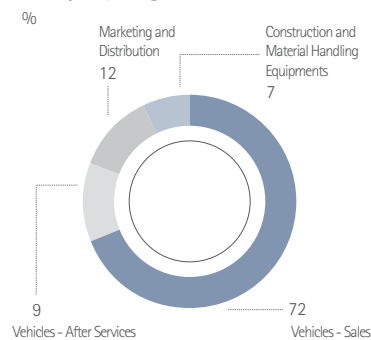
Company

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Total	
For the year ended 31st March	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Business Segment Turnover and Results										
Total segment revenue	27,323,634	18,806,431	3,699,412	3,026,017	3,732,425	3,324,894	1,602,575	1,806,465	36,358,046	26,963,807
Inter-segment revenue	(40,713)	(8,814)	(815,879)	(653,698)	(54,533)	(65,531)	(43,689)	(56,649)	(954,814)	(784,692)
Total external revenue	27,282,921	18,797,617	2,883,533	2,372,319	3,677,892	3,259,363	1,558,886	1,749,816	35,403,232	26,179,115
Segment results	1,946,405	1,394,122	492,275	692,280	237,103	295,923	169,523	201,221	2,845,306	2,298,525
Unallocated other income	-	-	-	-	-	-	-	-	103,147	63,480
Unallocated expenses	-	-	-	-	-	-	-	-	(1,582,953)	(1,302,955)
Finance costs - net	-	-	-	-	-	-	-	-	(273,458)	(308,732)
Income tax expense	-	-	-	-	-	-	-	-	(352,319)	(203,757)
Profit for the year									739,723	546,561
Business Segment Assets and Liabilities										
Segment assets	6,280,762	3,639,242	1,654,312	1,466,620	2,466,779	1,759,877	1,132,248	1,067,082	11,534,101	7,932,821
Unallocated assets	-	-	-	-	-	-	-	-	7,719,227	9,150,945
Total assets									19,253,328	17,083,766
Segment liabilities	2,641,101	1,892,333	520,752	238,170	647,725	299,093	246,404	375,313	4,055,982	2,804,909
Unallocated liabilities	-	-	-	-	-	-	-	-	6,062,920	5,690,844
Equity	-	-	-	-	-	-	-	-	9,134,426	8,588,013
Total equity and liabilities									19,253,328	17,083,766
Other Information										
Capital expenditure	27,792	21,040	63,364	47,251	10,320	3,386	4,487	7,180	105,963	78,857
Unallocated capital expenditure	-	-	-	-	-	-	-	-	162,676	667,714
Depreciation and amortisation	25,541	30,501	97,039	91,659	12,762	16,844	5,412	5,613	140,754	144,617
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	172,586	159,642

Company-Segment Revenue 2016



Company-Segment Revenue 2015



4.3 Other Operating Income/(Expenses)

Accounting Policy

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.

Gains or losses on sale of property, plant and equipment

The gains or losses on the sale of property, plant and equipment are determined on the difference between the carrying amount of the property, plant and equipment at the time of disposal and the proceeds of disposal, net of expenses incurred on disposal. This is recognised in the year in which significant risks and rewards of ownership are transferred to the buyer.

Dividend income

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

Other Operating Income

For the year ended 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Sundry income	69,618	29,676	74,207	25,652
Dividend income	298	48	11,368	15,798
Gains on sale of property, plant and equipment	16,225	22,018	17,572	22,030
	86,141	51,742	103,147	63,480

4.4 Finance Income and Costs

Accounting Policies

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

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables). Interest 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. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in Profit or Loss in the period in which they occur.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Net Finance Costs

For the year ended 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Interest income	23,496	21,786	21,060	21,284
Exchange gain on translation of foreign currency	195,583	72,386	173,518	85,446
Total finance income	219,079	94,172	194,578	106,730
Interest on long-term borrowings	(97,957)	(105,692)	(97,957)	(105,692)
Interest on short-term borrowings	(372,351)	(317,308)	(370,079)	(309,770)
Total finance costs	(470,308)	(423,000)	(468,036)	(415,462)
Net finance costs recognised in profit or loss	(251,229)	(328,828)	(273,458)	(308,732)
Capitalisation of Finance Income and Costs				
Finance income	-	7,216	-	7,216
Finance costs	-	(16,192)	-	(16,192)
Net finance costs	-	(8,976)	-	(8,976)

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	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Directors' emoluments				
Short-term employment benefits	257,560	207,809	238,649	192,236
Post-employment benefits	53,650	41,988	49,845	39,133
Auditors' remuneration				
Audit and audit-related services	4,807	4,447	3,925	3,531
Non-audit services	629	571	375	341
Depreciation on property, plant and equipment	306,042	298,179	300,678	291,081
Amortisation of intangible assets and lease rentals paid in advance	12,662	13,178	12,662	13,178
Provision for impairment of trade receivables	217,012	7,810	195,552	7,709
Provision for/(reversal of) slow moving inventories	6,215	3,328	16,423	(15,575)
Donations	2,809	11,515	2,248	11,360
Legal fees	25,186	25,233	23,968	24,508
Staff expenses (Note 4.5.1)	1,781,138	1,686,434	1,550,846	1,479,959

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 recognised as an expense in the year in which the related services are provided.

For the year ended 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Defined contribution plan cost	189,908	182,403	162,565	159,187
Employee benefit obligation costs (Note 4.22.1)	78,492	67,428	71,859	61,794
Training expenses	50,871	43,412	37,903	29,245
Salaries and wages	1,461,867	1,393,191	1,278,519	1,229,733
	1,781,138	1,686,434	1,550,846	1,479,959
Average number of employees for the year	1,554	1,527	1,401	1,352

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 Policy

Income tax expense for the year comprises of 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 or substantively 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 was initially recorded, such difference will be adjusted in the current year's income tax charge and/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	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Tax Expense				
Current tax on profit for the year (Note 4.6.1)	259,487	138,031	178,413	93,633
Under provision in respect of previous years *	111,987	14,599	110,287	12,033
	371,474	152,630	288,700	105,666
Deferred Tax Expense				
Origination of temporary differences (Note 4.6.2)	61,979	98,320	63,619	98,091
Total income tax expense	433,453	250,950	352,319	203,757
Effective tax rate (%) - including deferred tax	31%	30%	32%	27%
Effective tax rate (%) - excluding deferred tax	27%	18%	26%	14%

* This includes a provision of Rs. 103.6 million in respect of tax assessment raised in the year of assessment 2011/2012, which was finalised during the year.

4.6.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before taxation	1,380,059	847,033	1,092,042	750,318
Disallowable expenses	628,990	664,789	587,858	605,991
Allowable expenses	(846,648)	(790,818)	(804,594)	(759,119)
Income not liable for tax	(16,739)	(15,798)	(12,013)	(15,798)
Qualifying payments	(226,642)	(247,039)	(226,103)	(246,989)
Taxable income	919,020	458,167	637,190	334,403
Income tax				
Tax at 28%	259,487	138,031	178,413	93,633
Current tax on profit for the year	259,487	138,031	178,413	93,633

Current tax has been computed in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and amendments thereto.

Withholding tax on the final dividend approved on 24th May 2016 is Rs. 22.8 million. The actual liability arises in the year in which dividend is paid. Therefore, no liability is recognised in these Financial Statements.

The companies within the Group are liable to income tax at 28%.

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	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Profit or Loss (Note 4.23.2)	61,979	98,320	63,619	98,091
Other Comprehensive Income (Note 4.23.2)	(6,921)	(2,835)	(6,318)	(2,163)
	55,058	95,485	57,301	95,928

4.6.3 Tax Losses Brought Forward and Utilised during the Year

For the year ended 31st March	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	-	2,221	-	-
Under claimed previous year	-	(1,142)	-	-
Claimed during the year	-	(1,079)	-	-
At the end of the year	-	-	-	-

Tax losses claimed were in relation to DIMO Industries (Private) Ltd.

Specific Accounting Policies and Notes

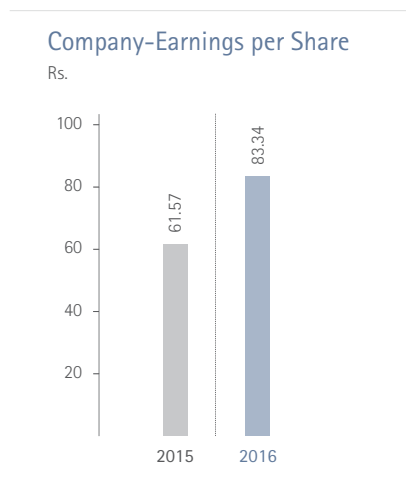
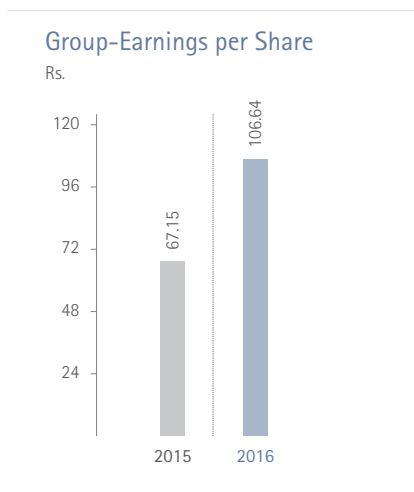
4.7 Earnings Per Share-Basic and Diluted

Accounting Policy-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	
	2016	2015	2016	2015
Profit attributable to ordinary shareholders (Rs. '000)	946,606	596,083	739,723	546,561
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.)	106.64	67.15	83.34	61.57



4.8 Dividends

For the year ended 31st March	Company	
	2016 Rs. '000	2015 Rs. '000
Final dividend approved	239,664	177,529
Dividend per share (Rs.)	27	20

No interim dividend was paid during the financial year 2015/16 (No interim dividend was paid in 2014/15).

4.8.1 Approved Final Dividend

On 24th May 2016, the Board of Directors of the Company recommended the payment of a first and final dividend of Rs. 27.00 per share for the year ended 31st March 2016 (2014/15 - first and final dividend of Rs. 20.00 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 2016.

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 24th May 2016 has been audited by Messrs KPMG, Chartered Accountants.

4.9 Property, Plant and Equipment

Accounting Policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group/Company and cost of the asset can be measured reliably.

Basis of measurement

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

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property or equipment.

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

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 3.8 - Impairment of non-financial assets).

Revaluation model

The Group/Company applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Group policy is to revalue all freehold land 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 revaluation 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 revaluation reserve. Upon disposal, any revaluation reserve relating to particular assets being sold is transferred to retained earnings.

Subsequent costs

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 depreciates accordingly. Ongoing repair and maintenance costs are expensed 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. 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
Tools and 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	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2016 Rs. '000	2015 Rs. '000
Cost or Revalued Amount										
At the beginning of the year	4,391,922	2,382,592	235,435	666,538	238,031	506,163	226,762	521,082	9,168,525	5,900,688
Revaluation	-	-	-	-	-	-	-	-	-	818,525
Additions	-	1,304	3,374	17,112	8,925	93,772	20,398	21,665	166,550	412,289
Transferred from capital work-in-progress	-	43,355	-	19,807	11,312	-	-	17,811	92,285	2,105,041
Disposals	-	(15,105)	-	(16,568)	(955)	(60,798)	(4,769)	(4,241)	(102,436)	(68,018)
At the end of the year	4,391,922	2,412,146	238,809	686,889	257,313	539,137	242,391	556,317	9,324,924	9,168,525
Depreciation										
At the beginning of the year	-	193,436	58,930	204,465	181,058	314,325	181,030	180,337	1,313,581	1,071,437
Charge for the year	-	60,076	24,571	48,184	23,944	83,117	23,267	42,883	306,042	298,179
On disposals	-	(11,079)	-	(4,126)	(955)	(58,939)	(4,438)	(1,968)	(81,505)	(56,035)
At the end of the year	-	242,433	83,501	248,523	204,047	338,503	199,859	221,252	1,538,118	1,313,581
Carrying amount before capital work-in-progress	4,391,922	2,169,713	155,308	438,366	53,266	200,634	42,532	335,065	7,786,806	7,854,944
Capital work-in-progress at cost										
At the beginning of the year	-	123,419	-	345	316	-	-	2,058	126,138	1,917,505
Additions	-	51,543	-	24,254	13,247	-	9,247	19,238	117,529	320,954
Transferred to PPE	-	(43,355)	-	(19,807)	(11,312)	-	-	(17,811)	(92,285)	(2,105,041)
Derecognition	-	(3,076)	-	-	-	-	-	-	(3,076)	(7,280)
At the end of the year	-	128,531	-	4,792	2,251	-	9,247	3,485	148,306	126,138
Carrying amount as at 31st March 2016	4,391,922	2,298,244	155,308	443,158	55,517	200,634	51,779	338,550	7,935,112	
Carrying amount as at 31st March 2015	4,391,922	2,312,575	176,505	462,418	57,289	191,838	45,732	342,803		7,981,082

Carrying Value of Property, Plant and Equipment

Company	*Freehold Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	2016 Rs. '000	2015 Rs. '000
Cost or Revalued Amount										
At the beginning of the year	4,391,922	2,413,359	235,435	640,037	216,163	500,713	205,421	524,362	9,127,412	5,801,902
Revaluation	-	-	-	-	-	-	-	-	-	818,525
Additions	-	1,380	3,374	9,620	8,524	93,773	16,790	17,649	151,110	406,166
Transferred from capital work-in-progress	-	43,618	-	19,807	11,312	-	-	17,811	92,548	2,168,098
Disposals	-	(15,105)	-	(13,649)	(936)	(60,798)	(3,895)	(4,241)	(98,624)	(67,279)
At the end of the year	4,391,922	2,443,252	238,809	655,815	235,063	533,688	218,316	555,581	9,272,446	9,127,412
Depreciation										
At the beginning of the year	-	193,617	58,930	187,754	163,089	309,438	164,198	171,144	1,248,170	1,012,397
Charge for the year	-	60,852	24,571	46,438	22,053	82,554	20,699	43,511	300,678	291,081
On disposals	-	(11,079)	-	(2,554)	(936)	(58,939)	(3,719)	(1,968)	(79,195)	(55,308)
At the end of the year	-	243,390	83,501	231,638	184,206	333,053	181,178	212,687	1,469,653	1,248,170
Carrying amount before capital work-in-progress	4,391,922	2,199,862	155,308	424,177	50,857	200,635	37,138	342,894	7,802,793	7,879,242
Capital work-in-progress at cost										
At the beginning of the year	-	123,738	-	345	316	-	-	2,058	126,457	1,961,430
Additions	-	51,543	-	24,254	13,247	-	9,247	19,238	117,529	340,405
Transferred to PPE	-	(43,618)	-	(19,807)	(11,312)	-	-	(17,811)	(92,548)	(2,168,098)
Derecognition	-	(3,132)	-	-	-	-	-	-	(3,132)	(7,280)
At the end of the year	-	128,531	-	4,792	2,251	-	9,247	3,485	148,306	126,457
Carrying amount as at 31st March 2016	4,391,922	2,328,393	155,308	428,969	53,108	200,635	46,385	346,379	7,951,099	
Carrying amount as at 31st March 2015	4,391,922	2,343,480	176,505	452,628	53,390	191,275	41,223	355,276		8,005,699

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 valuation method adopted was Market Comparable Method.

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

Location	Significant Unobservable Inputs	Extent	Freehold Land				Pledged	Mortgaged to Financial Institution
			Original Cost	Revalued	Revalued Amount as No. of Times of Cost	Freehold Building Square Feet		
	Rs.		Rs. '000	Rs. '000	Rs. '000			
No. 65, Jetawana Road, Colombo 14	5,000,000 p.p	2A-0R-33.29P	414	1,523,320	3,679.52	85,272	-	-
No. 56, K. Cyril C. Perera Mawatha, Colombo 14	4,000,000 p.p							
Sanctioned Street Line	2,000,000 p.p							
No. 61, Jetawana Road, Colombo 14	5,500,000 p.p	0A-1R-04.00P	18,014	242,000	13.43	11,418	-	-
No. 74, Jetawana Road, Colombo 14	5,000,000 p.p	0A-1R-14.56P	113,808	272,800	2.40	4,043	-	-
No. 800, Sirimawo Bandaranaike Mawatha, Colombo 14	1,500,000 p.p	3A-3R-14.00P	641,519	930,900	1.45	229,025	-	-
No. 135, Mahena Road, Siyambalape and No. 274/A, Kakunagaha Watta, Siyambalape	200,000 p.p	8A-3R-19.90P	37,606	281,700	7.49	96,300	-	-
Kirindiwela Road, Weliveriya	97,500 p.p	16A-0R-36.31P	89,958	248,625	2.76	219,880	✓	Commercial Bank
No.360, Madampitiya Road, Mahawatta, Colombo 14	2,000,000 p.p	1A-2R-26.80P	301,599	533,600	1.77	-	-	-
No. 09, Ariyala, Kandy Road, Jaffna	122,600 p.p	1A-2R-26.72P	32,487	32,700	1.01	38,675	-	-
Yaggapitiya Watta, Dambulla Road, Kurunegala	70,000 p.p	5A-0R-0P	54,599	56,000	1.03	-	-	-
No. 23, Kaldemulla Road, Ratmalana	637,500 p.p	0A-3R-27.04P	92,102	93,738	1.02	17,323	-	-
No. 63 & 63 A Jetawana Road, Colombo 14	-	0A-1R-08.75P	176,539	176,539*	-	13,294	-	-
Total			1,558,645	4,391,922		715,230		

p.p-per perch

*This freehold land was acquired subsequent to the last revaluation date and therefore, the original cost is shown under the 'Revalued' column.

Description of the valuation technique used together with narrative description on sensitivity of the fair value measurement to changes in significant unobservable inputs are as follows:

Valuation technique	Significant unobservable inputs	Sensitivity of fair value measurement to inputs
Market Comparable Method	Price per perch for land	Estimated fair value would increase/(decrease) if the price per perch would higher/(lower).
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, location or condition of the specific property.		

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. 762.2 million (2015 - Rs. 587.1 million) and Rs. 720 million (2015 - Rs. 551.2 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 (2015 - Rs. 248 million) have been pledged as security against term loans obtained.

Specific Accounting Policies and Notes

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.

Carrying Value of Lease Rentals Paid in Advance

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cost				
At the beginning of the year	39,938	39,938	39,938	39,938
Additions during the year	-	-	-	-
At the end of the year	39,938	39,938	39,938	39,938
Accumulated Amortisation				
At the beginning of the year	11,002	8,797	11,002	8,797
Amortisation for the year	2,205	2,205	2,205	2,205
At the end of the year	13,207	11,002	13,207	11,002
Carrying amount at the end of the year	26,731	28,936	26,731	28,936
Current portion of lease rentals paid (Note 4.17)	2,205	2,205	2,205	2,205
Non-current portion of lease rentals paid	24,526	26,731	24,526	26,731
Carrying amount at the end of the year	26,731	28,936	26,731	28,936

4.10.1 Details of Lease Rentals Paid in Advance

Location	Amount of Lease Rs. '000	Duration of the Lease
i. No. 562/126, D.S. Senanayake Mawatha, Anuradhapura	2,400	From April 1997 to August 2021
ii. No. 562/100, Jayanthi Mawatha, Anuradhapura	37,538	From October 2010 to May 2028
	39,938	

4.11 Intangible Assets

Accounting Policy

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Basis of measurement

Acquired intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as 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

4.10 Lease Rentals Paid in Advance

Accounting Policy

Lease rentals paid in advance are stated at cost less accumulated amortisation. Such carrying amounts are amortised over the remaining lease period or useful life of the leasehold property whichever is shorter.

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

The 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	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cost				
At the beginning of the year	46,700	46,700	46,700	46,700
Additions during the year	-	-	-	-
At the end of the year	46,700	46,700	46,700	46,700
Accumulated Amortisation				
At the beginning of the year	21,950	10,977	21,950	10,977
Amortisation for the year	10,457	10,973	10,457	10,973
At the end of the year	32,407	21,950	32,407	21,950
Carrying amount at the end of the year	14,293	24,750	14,293	24,750

4.12 Investments in Subsidiaries

Accounting Policy

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 2016 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value.

Carrying Value of Investments in Subsidiaries

As at 31st March	Percentage of Holding (%)	Company	
		2016 Rs. '000	2015 Rs. '000
Unquoted Investment - Ordinary Shares			
DIMO (Private) Ltd - 25,000 ordinary shares	100	250	250
DIMO Industries (Private) Ltd - 2,305,000 ordinary shares	100	23,050	23,050
DIMO Travels (Private) Ltd - 500 ordinary shares	100	50	50
		23,350	23,350
Impairment provision (Note 4.12.1)		-	-
		23,350	23,350

The Group does not have any subsidiaries with significant non controlling interests as all subsidiaries are fully owned by Diesel Et Motor Engineering PLC. Accordingly no additional disclosures are made in these Financial Statements under SLFRS 12.

4.12.1 Movement in Provision for Impairment of Investments in Subsidiaries

As at 31st March	Company	
	2016 Rs. '000	2015 Rs. '000
At the beginning of the year	-	2,705
Reversal of impairment	-	(2,705)
At the end of the year	-	-

Specific Accounting Policies and Notes

4.13 Fair value of Assets and Liabilities

Accounting Policies

Financial assets

Initial recognition and measurement

The 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 costs.

The subsequent measurement of financial assets depends on their classification. Please refer Notes 4.14 and 4.16 on pages 132 and 133 for details of different types of financial assets recognised in the Statement of Financial Position.

Financial assets – available-for-sale (AFS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale financial assets or 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 less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

The subsequent measurement of financial liabilities depends on their classification. Please refer Notes 4.21 and 4.26 on pages 136 and 142 for details of financial liabilities recognised in the 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	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	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	3,877,074	4,118,726	3,092,234	3,451,804
Cash and cash equivalents	176,140	208,139	164,243	186,676
Amounts due from subsidiaries	-	-	53,714	18,951
iv. Available-for-sale (AFS)				
Financial assets-available-for-sale	7,179	6,717	7,156	6,690
Total financial assets	4,060,393	4,333,582	3,317,347	3,664,121

An unambiguous result

98	Annual Report of the Board of Directors
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Financial Liabilities

As at 31st March	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
i. Financial liabilities at fair value through profit or loss	-	-	-	-
ii. Other financial liabilities				
Current portion of long-term borrowings	394,960	421,780	394,960	421,780
Long-term borrowings	907,030	1,175,330	907,030	1,175,330
Short-term borrowings	5,179,865	3,656,728	5,147,647	3,620,807
Trade payables	1,645,819	1,981,182	1,565,629	1,882,388
Amounts due to subsidiaries	-	-	382,855	96,121
Total financial liabilities	8,127,674	7,235,020	8,398,121	7,196,426

Fair value 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.

Non-financial assets measured at fair value

The valuation technique and inputs used in measuring the fair value of freehold land are given in Note 4.9.1

The Group held the following financial and non-financial assets carried at fair value in the Statement of Financial Position.

As at 31st March		Group		Company	
		2016	2015	2016	2015
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets					
Classified as available-for-sale	Level 1	7,179	6,717	7,156	6,690
	Level 2	-	-	-	-
	Level 3	-	-	-	-
Non-financial assets					
Freehold land	Level 1	-	-	-	-
	Level 2	-	-	-	-
	Level 3	4,391,922	4,391,922	4,391,922	4,391,922

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.

Specific Accounting Policies and Notes

Sensitivity Analysis - Based on exchange rate fluctuation against Sri Lankan Rupee

	Group		Company	
	2016	2015	2016	2015
US Dollar (USD)				
% of Appreciation/(depreciation) during the financial year	9.95	2.13	9.95	2.13
1% change impact to profitability by- Rs. '000	251	3,225	110	3,407
Euro (EUR)				
% of Appreciation/(depreciation) during the financial year	14.97	(19.67)	14.97	(19.67)
1% change impact to profitability by- Rs. '000	941	386	504	397
Japanese Yen (JPY)				
% of Appreciation/(depreciation) during the financial year	17.58	(12.53)	17.58	(12.53)
1% change impact to profitability by- Rs. '000	183	581	43	582

(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 2016 would decrease/increase by Rs. 8.7 million (2015 Rs. 10.4 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.

	Group		Company	
As at 31st March	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade and other receivables	3,877,074	4,118,726	3,092,234	3,451,804
Amounts due from subsidiaries	-	-	53,714	18,951
Cash and cash equivalents	176,140	208,139	164,243	186,676
Total credit risk exposure	4,053,214	4,326,865	3,310,191	3,657,431

An unambiguous result

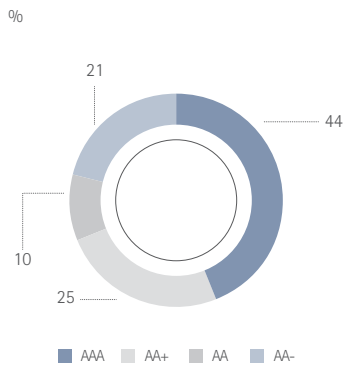
98	Annual Report of the Board of Directors
102	Board of Directors' Statement on Internal Controls
103	Statement of Directors' Responsibilities for Financial Statements
105	Independent Auditors' Report
106	Financial Statements

Balances with banks

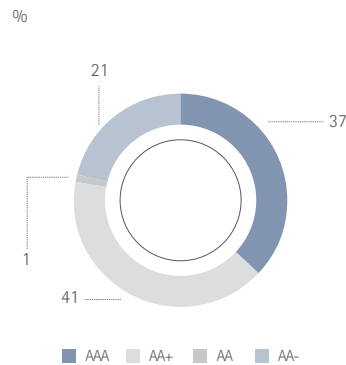
As at 31st March

	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fitch Rating				
AAA	65,627	67,752	65,627	67,752
AA+	37,457	74,654	37,457	74,654
AA	14,744	1,975	5,643	1,625
AA-	31,708	39,113	31,708	20,261
Total bank balances (Note 4.18)	149,536	183,494	140,435	164,292

Group-Balances with Banks 2016



Group-Balances with Banks 2015



(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.

Given below is a summary of the capital structure of the Group:

As at 31st March

	2016	2015
	Rs. '000	Rs. '000
Long-term borrowings (Note 4.21.1.1)	1,301,990	1,597,110
Equity	9,989,679	9,237,938
Total equity and long-term borrowings	11,291,669	10,835,048
Gearing ratio (%)	12%	15%

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.

Specific Accounting Policies and Notes

4.14 Financial Assets – Available-for-Sale (AFS)

Accounting Policy

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 equity through Other Comprehensive Income (available-for-sale reserve). When these financial assets are sold or impaired, the accumulated fair value adjustments previously recognised in equity are reclassified to Profit or Loss.

The fair values of quoted shares are based on current bid prices at the end of the reporting period.

Dividend earned while holding available-for-sale financial assets are recognised in Profit or Loss when the right to receive the payment has been established.

Accounting Estimate – Assessment of Impairment

At each reporting date the Group assesses whether there is any objective evidence that an asset or a group of assets is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period for which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, is recognised in Profit or Loss and removed from Other Comprehensive Income (available-for-sale reserve).

Carrying Value of Available-for-Sale Financial Assets

	Group					Company				
	No. of Shares	Market Value	Total Cost	Fair Value		No. of Shares	Market Value	Total Cost	Fair Value	
		2016 (Per Share)	Rs. '000	2016 Rs. '000	2015 Rs. '000		2016 (Per Share)	Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 31st March										
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	50.60	14	46	54	450	50.60	7	23	27
Hatton National Bank PLC (non-voting)	33,943	171.00	700	5,804	5,601	33,943	171.00	700	5,804	5,601
Ceylinco Insurance PLC (non-voting)	1,700	782.00	298	1,329	1,062	1,700	782.00	298	1,329	1,062
			1,012	7,179	6,717			1,005	7,156	6,690

4.15 Inventories

Accounting Policy

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories that are not interchangeable are recognised 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 realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Goods-in-transit are recognised at purchase cost.

Carrying Value of Inventories

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Stock-in-trade	6,354,811	3,895,624	6,282,113	3,854,827
Work-in-progress (at cost)	304,979	227,231	105,550	87,973
Provision for slow moving inventories (Note 4.15.1)	(261,966)	(255,751)	(245,472)	(229,049)
	6,397,824	3,867,104	6,142,191	3,713,751
Goods-in-transit	1,209,468	911,471	1,184,020	882,349
Total inventories at the lower of cost and net realisable value	7,607,292	4,778,575	7,326,211	4,596,100

4.15.1 Movement in Provision for Slow Moving Inventories

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 31st March				
At the beginning of the year	255,751	252,423	229,049	244,624
Provision for/(reversal of) slow moving inventories	6,215	3,328	16,423	(15,575)
At the end of the year	261,966	255,751	245,472	229,049

4.16 Trade and Other Receivables

Accounting Policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less (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 judgement 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.

Carrying Value of Trade and Other Receivables

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 31st March				
Trade receivables	4,339,781	4,356,133	3,491,916	3,647,706
Provision for impairment (Note 4.16.1)	(467,499)	(250,487)	(404,147)	(208,595)
	3,872,282	4,105,646	3,087,769	3,439,111
Other receivables	4,792	13,080	4,465	12,693
Carrying value	3,877,074	4,118,726	3,092,234	3,451,804

4.16.1 Movement in Provision for Impairment of Trade Receivables

	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 31st March				
At the beginning of the year	250,487	242,677	208,595	200,886
Provision for impairment of trade receivables	217,012	7,810	195,552	7,709
At the end of the year	467,499	250,487	404,147	208,595

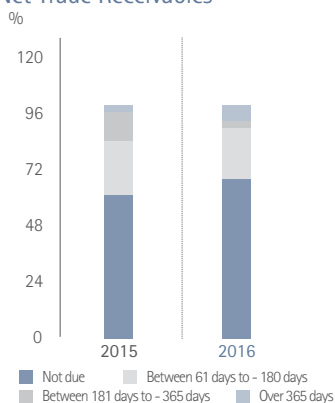
Specific Accounting Policies and Notes

4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

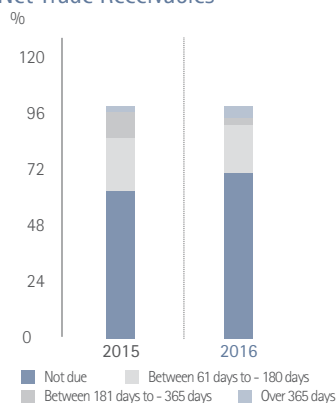
As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Not due	2,651,294	2,521,128	2,188,878	2,177,249
Due but not impaired				
Between 61 days to - 180 days	835,201	959,080	646,317	785,806
Between 181 days to - 365 days	126,596	495,757	81,454	378,748
Over 365 days	259,191	129,681	171,120	97,308
Net trade receivables - maximum exposure to credit risk	3,872,282	4,105,646	3,087,769	3,439,111
Provision for impairment	467,499	250,487	404,147	208,595
Gross trade receivables	4,339,781	4,356,133	3,491,916	3,647,706

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.

Group-Age Analysis of Net Trade Receivables



Company-Age Analysis of Net Trade Receivables



4.16.3 Carrying amount of trade receivables are denominated in the following currencies

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Currency				
Sri Lankan Rupees	3,680,802	3,949,177	2,925,636	3,327,449
USD	130,372	103,069	125,855	90,237
Euro	57,341	52,179	32,685	20,283
Japanese Yen	399	706	399	627
Other	3,368	515	3,194	515
	3,872,282	4,105,646	3,087,769	3,439,111

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 (2014/15 - Rs. 95 million).

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.

4.17 Other Current Assets

Accounting Policy

The Group/Company classifies all non financial current assets under other current assets. Other current assets mainly comprise of advances, deposits, prepayments and current portion of the lease rentals paid in advance.

Advances and deposits are carried at historical value less provision for impairment. Prepayments are amortised over the period during which it is utilised and carried at historical value less amortisation charge and any impairment.

Carrying Value of Other Current Assets

As at 31st March	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deposits and prepayments	654,154	782,225	562,798	718,710
Lease rentals paid in advance (Note 4.10)	2,205	2,205	2,205	2,205
Other receivables	32,958	19,718	31,499	18,799
	689,317	804,148	596,502	739,714

4.18 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise of cash at bank and in hand balances. Cash and bank balances are stated at recoverable values. There were no cash and cash equivalents held by the Group companies that were not available for use.

Bank overdrafts and short-term borrowings that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Carrying Value of Cash and Cash Equivalents

As at 31st March	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Bank balances	149,536	183,494	140,435	164,292
Cash in hand	26,604	24,645	23,808	22,384
	176,140	208,139	164,243	186,676

Review of credit risk

The Group's cash and cash equivalents comprise of cash at bank and in hand balances. The credit risk relating to bank balances are analysed according to ratings of each bank, is available on page 131.

4.18.1 Carrying amount of cash and cash equivalents are denominated in the following currencies

As at 31st March	Group		Company	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Currency				
Sri Lankan Rupees	109,193	108,360	97,296	105,749
USD	66,947	61,768	66,947	61,761
Euro	-	38,011	-	19,166
	176,140	208,139	164,243	186,676

Specific Accounting Policies and Notes

4.19 Stated Capital

As at 31st March	No. of Shares	Company		2015 Rs. '000
		2016 Rs. '000	No. of Shares	
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	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
At the beginning of the year	5,973,747	5,473,721	5,323,841	4,871,606
Dividend	(177,529)	(88,764)	(177,529)	(88,764)
Statement of Profit or Loss				
Profit for the year	946,606	596,083	739,723	546,561
Other Comprehensive Income				
Actuarial loss arising from employees benefits (Net of tax)	(17,798)	(7,293)	(16,247)	(5,562)
At the end of the year	6,725,026	5,973,747	5,869,788	5,323,841

4.20.1 Other Components of Equity

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
At the beginning of the year	2,838,894	2,018,475	2,838,875	2,018,461
Other Comprehensive Income				
Net fair value gains on remeasuring financial assets-available-for-sale	462	1,894	466	1,889
Revaluation of freehold land	-	818,525	-	818,525
At the end of the year	2,839,356	2,838,894	2,839,341	2,838,875

4.21 Long-term and Short-term Borrowings

Accounting Policy

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequently, they are stated at amortised cost, any difference between the proceeds (net of transaction cost) and the repayable amount

(including interest) is recognised in Profit or Loss over the period of the loan using effective interest method.

4.21.1 Carrying Value of Long-term Borrowings

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
i. Non-current portion of the long-term borrowings				
Term loans (Note 4.21.1.1)	907,030	1,175,330	907,030	1,175,330
Total non-current long-term borrowings	907,030	1,175,330	907,030	1,175,330
ii. Current portion of the long-term borrowings				
Term loans (Note 4.21.1.1)	394,960	421,780	394,960	421,780
Total current portion of long-term borrowings	394,960	421,780	394,960	421,780

4.21.1.1 Movement and Classification of Long-term Borrowings

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
At the beginning of the year	1,597,110	1,832,843	1,597,110	1,832,843
Loans obtained during the year	800,000	600,000	800,000	600,000
Repayments during the year	(1,117,662)	(851,971)	(1,117,662)	(851,971)
Exchange rate variance	22,542	16,238	22,542	16,238
At the end of the year	1,301,990	1,597,110	1,301,990	1,597,110
Classified as current liabilities (repayable within one year)	394,960	421,780	394,960	421,780
Classified as non current liabilities (repayable after one year)	907,030	1,175,330	907,030	1,175,330

4.21.1.2 Principal Amounts of Long-term Borrowings

Lender	Currency	Company		As at 31.03.2016 Rs. '000	Secured	Repayments Tenure
		2016 Rs. '000	2015 Rs. '000			
Commercial Bank of Ceylon PLC	LKR	400,000	400,000	76,900	✓	Repayable in 120 instalments commenced from February 2008
Bank of Ceylon	LKR	500,000	500,000	75,000	-	Repayable in 60 instalments commenced from January 2012
Commercial Bank of Ceylon PLC	LKR	600,000	600,000	430,000	-	Repayable in 60 instalments commenced from December 2014
Commercial Bank of Ceylon PLC	LKR	800,000	-	720,000	-	Repayable in 60 instalments commenced from October 2015
Total		2,300,000	1,500,000	1,301,900		

Details of land which have been pledged against above bank loan facilities are disclosed in Note 4.9.3.

4.21.1.3 Analysis of Long-term Borrowings by the year of Repayment

	Commercial Bank of Ceylon PLC Rs. '000	Bank of Ceylon Rs. '000	HSBC Bank Rs. '000	Total 2016 Rs. '000	Total 2015 Rs. '000
Movement of Loans					
At the beginning of the year	666,950	175,000	755,160	1,597,110	1,832,843
Loans obtained during the year	800,000	-	-	800,000	600,000
Repayments during the year	(239,960)	(100,000)	(777,702)	(1,117,662)	(851,971)
Exchange rate variance	-	-	22,542	22,542	16,238
At the end of the year	1,226,990	75,000	-	1,301,990	1,597,110
Analysis of Long-term Borrowings by Period of Repayment					
Repayable- within 6 months from year end	159,980	50,000	-	209,980	210,890
- between 6 months and 1 year	159,980	25,000	-	184,980	210,890
- between 1 and 5 years from year end	907,030	-	-	907,030	1,175,330
- later than 5 years from year end	-	-	-	-	-
	1,226,990	75,000	-	1,301,990	1,597,110

Specific Accounting Policies and Notes

4.21.2 Short-term Borrowings

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Short-term bank loans	4,984,543	3,465,972	4,977,399	3,465,972
Bank overdrafts	195,322	190,756	170,248	154,835
	5,179,865	3,656,728	5,147,647	3,620,807

Unutilised bank facilities as at 31st March 2016 amounted to Rs. 6,217.8 million (2015 - Rs. 6,737.5 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 Policy

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed determinable contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in Profit or Loss as incurred.

Defined benefit obligation

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees.

Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS -19 on 'Employee Benefits'.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method (PUC). 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 Estimate

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	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Present value of unfunded obligation	500,505	415,647	468,525	390,664
At the beginning of the year	415,647	349,642	390,664	332,521
Current service cost	36,954	30,726	32,792	26,879
Interest cost	41,538	36,702	39,067	34,915
Actuarial loss	24,719	10,128	22,565	7,725
Paid during the year	(18,353)	(11,551)	(16,563)	(11,376)
At the end of the year	500,505	415,647	468,525	390,664

4.22.1 Defined Benefit Obligation Recognised in Profit or Loss and Other Comprehensive Income

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Statement of Profit or Loss				
Current service cost	36,954	30,726	32,792	26,879
Interest cost	41,538	36,702	39,067	34,915
	78,492	67,428	71,859	61,794
Other Comprehensive Income				
Actuarial loss	24,719	10,128	22,565	7,725
	24,719	10,128	22,565	7,725
Total charge for the year	103,211	77,556	94,424	69,519

An actuarial valuation was carried out as at 31st March 2016 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:

	2016 %	2015 %
Rate of discount	10.50	10.00
Salary escalation rate	10.00	9.50

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.

4.23 Deferred Tax

Accounting Policy

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 is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which 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

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 2016 amounted to Rs.455.3 million and Rs. 426.8 million respectively.

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.

	Group		Company	
	1% Increase Rs. '000	1% Decrease Rs. '000	1% Increase Rs. '000	1% Decrease Rs. '000
Rate of discount	(22,091)	24,475	(20,418)	22,634
Salary escalation rate	25,368	(23,202)	23,387	(21,374)

recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Accounting Estimate - Judgement Used

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Specific Accounting Policies and Notes

Carrying Value of Deferred Tax Assets/(Liabilities)

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	(125,392)	(29,907)	(124,860)	(28,932)
Origination of temporary differences to Profit or Loss	(61,979)	(98,320)	(63,619)	(98,091)
Reversal of temporary differences to Other Comprehensive Income	6,921	2,835	6,318	2,163
At the end of the year (Note 4.23.1)	(180,450)	(125,392)	(182,161)	(124,860)
Made up as follows:				
Deferred tax assets	1,711	77	-	-
Deferred tax liabilities	(182,161)	(125,469)	(182,161)	(124,860)
	(180,450)	(125,392)	(182,161)	(124,860)

4.23.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Deferred Tax Liability				
Temporary difference arising from property, plant and equipment	(1,154,995)	(884,101)	(1,128,160)	(857,216)
Total temporary difference of deferred tax liability	(1,154,995)	(884,101)	(1,128,160)	(857,216)
Closing deferred tax liability @ 28%	(323,398)	(247,548)	(315,885)	(240,021)
Deferred Tax Assets				
Temporary difference arising from defined benefit obligation	500,505	415,647	468,525	390,664
Temporary difference arising from warranty provision	10,028	20,625	9,063	20,625
Total temporary difference of deferred tax assets	510,533	436,272	477,588	411,289
Closing deferred tax assets @ 28%	142,948	122,156	133,724	115,161
Net temporary differences	(644,462)	(447,829)	(650,572)	(445,927)
Net deferred tax (liability)/asset	(180,450)	(125,392)	(182,161)	(124,860)

4.23.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group				Company			
	As at 01.04.2015	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2016	As at 01.04.2015	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	(247,548)	(75,850)	-	(323,398)	(240,021)	(75,864)	-	(315,885)
- Deferred tax liability								
Retirement benefit obligation	116,381	16,838	6,921	140,140	109,386	15,482	6,318	131,186
- Deferred tax asset								
Warranty provision	5,775	(2,967)	-	2,808	5,775	(3,237)	-	2,538
- Deferred tax assets								
	(125,392)	(61,979)	6,921	(180,450)	(124,860)	(63,619)	6,318	(182,161)

4.23.3 Potential Impact on Changes in Income Tax Rates

The changes in the income rates have been published by the Ministry of Finance on 29th April 2016 as follows:

	Current rate (%)	Proposed rates (%)
Income tax	28	28 & 17.5

4.24 Deferred Income

Accounting Policy

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.

Carrying Value of Deferred Income

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
At the beginning of the year	173,243	91,018	123,584	57,691
Income deferred during the year	595,906	407,764	247,234	194,268
Income amortised during the year	(414,394)	(325,539)	(212,505)	(128,375)
At the end of the year	354,755	173,243	158,313	123,584

4.25 Provisions and Contingent Liabilities

Accounting Policy

Provisions

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset 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.

Since the new tax rates had not been published through a gazette by the Parliament as at the reporting date, being 31st March 2016, the new rates were not considered to be substantially enacted as at that date. Accordingly, the Company has provided for deferred taxation at the existing rate of 28% in the Financial Statements for the period ended 31st March 2016.

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.

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 extended warranty is recognised when the underlying products are sold. The quantum of the provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said extended warranty provision will be reversed upon expiration of warranty period.

Specific Accounting Policies and Notes

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	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for extended warranty	3,748	20,497	3,748	20,497
Provisions for warranty	6,280	7,853	5,315	7,853
	21,028	39,350	20,063	39,350

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 Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Generally trade payables are due within 90 days.

Carrying Value of Trade Payables

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Trade payables	1,645,819	1,981,182	1,565,629	1,882,388

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 Group and the Company as at the year-end was 0.56:1 and 0.46:1 respectively (2015 - Group 0.75:1, Company 0.66:1). As a liquidity risk management measure, the Group/Company continually compare trade payables with receivables, cash and cash equivalents and unutilised banking facilities.

The trade payables of the Group include an amount of Rs. 1,161.7 million as bills payable corresponding to goods shipped but not received. At the time of settlement of such bills, the Group will obtain short-term loans to cover the working capital cycle period of the imports.

Unutilised banking facilities are given in Note 4.21.2.

4.27 Other Current Liabilities

Accounting Policy

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

	Group		Company	
	2016	2015	2016	2015
As at 31st March	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Advances received	247,961	111,182	153,568	99,886
Unclaimed dividend	6,440	6,634	6,440	6,634
Value Added Tax (VAT)	8,068	4,400	-	-
Other payables and accrued expenses	850,391	640,677	728,770	553,699
	1,112,860	762,893	888,778	660,219

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.

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)

	Group		Company	
	2016	2015	2016	2015
As at 31st March	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Opening balance	1,265	86,856	3,301	107,913
Current tax for the year (Note 4.6)	(371,474)	(152,630)	(288,700)	(105,666)
	(370,209)	(65,774)	(285,399)	2,247
Tax paid during the year:				
Current tax and withholding tax	305,199	67,039	262,395	1,054
	305,199	67,039	262,395	1,054
Current tax asset/(liability)	(65,010)	1,265	(23,004)	3,301
Made up as follows:				
Current tax asset	-	3,375	-	3,301
Current tax liability	(65,010)	(2,110)	(23,004)	-
	(65,010)	1,265	(23,004)	3,301

Specific Accounting Policies and Notes

4.29 Amounts Due (to)/from Subsidiaries

Name of the Company	DIMO (Private) Ltd	DIMO Industries (Private) Ltd	DIMO Travels (Private) Ltd	As at 31.03.2016	As at 31.03.2015
Shareholding	100% Rs. '000	100% Rs. '000	100% Rs. '000	Rs. '000	Rs. '000
Opening balance due (to)/from subsidiaries	(95,999)	18,951	(122)	(77,170)	(168,867)
Sale of goods and services	23,618	-	-	23,618	6,626
Purchase of goods and services	(16,803)	(6,031)	-	(22,834)	(43,445)
Expenses incurred on behalf of subsidiaries	125,144	6,891	-	132,035	182,327
Fund transfers - net	(418,815)	33,875	150	(384,790)	(53,811)
Closing balance due (to)/from subsidiaries	(382,855)	53,686	28	(329,141)	(77,170)

4.29.1 Amounts Due (to)/from Subsidiaries comprise with:

As at 31st March	Company	
	2016	2015
	Rs. '000	Rs. '000
Amounts due from subsidiaries	53,714	18,951
Amounts due to subsidiaries	(382,855)	(96,121)
Amounts due (to)/from subsidiaries	(329,141)	(77,170)

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 on an arm's length basis 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 (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMP. As the Company is the ultimate parent of the subsidiaries (listed in Note 2.3), the Board of Directors of the Company has the authority and responsibility for planning or controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company (Executive and Non-Executive) are KMP of the Group.

Compensation to Key Management Personnel of the Company are as follows:

For the year ended 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Short-term employment benefits	257,560	207,809	238,649	192,236
Post-employment benefits	53,650	41,988	49,845	39,133
Total compensation applicable to Key Management Personnel	311,210	249,797	288,494	231,369

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 (c) Transactions with Close Family Members of Key Management Personnel (KMP)

Close family members are defined as spouse or dependant. Dependant is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

There were no transactions with the close family members during the year.

5.1.2 Transactions with Companies in which Key Management Personnel (KMP) have Control or Significant Influence

There were no transactions with companies on which KMP have control. The transactions with companies on which KMP have significant influence are disclosed in 'Directors' Interests in Contracts' on page 101.

Officers who are employees of Diesel & Motor Engineering PLC and Directors of the subsidiaries and not of the Company have been classified as KMP of the respective subsidiary only.

5.1.1 (b) The Compensation Paid to Key Management Personnel (KMP)

The Executive Directors are entitled to a structured incentive scheme which is linked to performance.

The Company contributes towards a post-employment contribution plan for the Executive Directors. In addition to their salaries, the Company provides non-cash benefits to KMP.

There are no share-based payments made to the Directors during the year.

No loans were granted to KMP of the Company.

5.1.3 Terms and Conditions of Transactions with the Companies on which Key Management Personnel (KMP) have Control or Significant Influence

Outstanding balances at the year-end relating to the companies on which KMP have control or significant influence over these companies are unsecured, interest free, and all related-party dues are on demand. There have been no guarantees provided or received for any related party receivables or payables for the year ended 31st March 2016.

5.1.4 Transactions with Group Entities

The Company has carried out transactions with Group entities in the ordinary course of business in an arms length basis. 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 (2015-Rs. Nil).

5.2 Commitments and Contingencies

Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amounted to approximately Rs.1,004.3 million (2014/15 – Rs.1994.4 million).

Other Disclosures

Contingencies

Guarantees

The contingent liabilities as at 31st March 2016 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 975.6 million (2015 – Rs. 685.7 million).

Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2016 amounted to Rs. 33.3 million (2015 – Rs. 33.3 million). Although, there can be no assurance, the Directors believe, based on the information currently available that the ultimate resolution of such lawsuits are not likely to have a material effect on the results of operations, financial position or liquidity.

Income tax assessments

Assessments were received in July 2012, December 2013 and July 2015 respectively based on normal tax rates. Appeals were lodged against the taxes

assessed by the Department of Inland Revenue and the status of each of the appeals are as follows:

2009/2010 – The appeal was determined in favour of the Commissioner General of Inland Revenue by the Tax Appeals Commission, and a case stated has been filed with the Court of Appeal by an application made by the Company.

2010/2011 – An appeal made by the Company is currently with the Tax Appeals Commission.

2012/2013 – An appeal has been lodged with the Department of Inland Revenue within the stipulated time period for the assessment raised.

Having discussed with the independent legal and tax expert and based on information available, the contingent liability as at 31st March 2016 is estimated to be Rs. 291.0 million (2015 – Rs. 167.3 million).

5.3 Operating Lease

Operating Lease Commitments

The Group has leased a number of branches and office premises under operating leases. These leases have an average life of between five to ten years. Lease agreements include clauses to enable upward revision of the rental payments on

a periodic basis to recent market conditions. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

As at 31st March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Less than one year	71,463	41,954	50,596	41,954
Between one to five years	208,112	101,347	129,355	101,347
Over five years	67,376	19,354	65,338	19,354
Total operating lease commitments	348,967	164,670	247,305	164,670

5.4 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current years presentations and details are given below:

For the year ended 31st March	Note	Group			Company		
		2015 Rs. '000	Re-classification adjustment Rs. '000	Re-classified 2015 Rs. '000	2015 Rs. '000	Re-classification adjustment Rs. '000	Re-classified 2015 Rs. '000
Cost of sales	a/b	22,404,349	316,942	22,721,291	21,103,811	313,657	21,417,468
Administrative expenses	a	3,580,420	(235,576)	3,344,844	3,221,018	(234,559)	2,986,459
Finance income	b	21,786	72,386	94,172	27,632	79,098	106,730
Finance costs	b	(431,980)	8,980	(423,000)	(415,462)	-	(415,462)
Net finance costs	b	(410,194)	81,366	(328,828)	(387,830)	79,098	(308,732)

a. Staff cost relating to workshop employees which was previously reported under Administrative Expenses has been reclassified under Cost of Sales.

b. Realised exchange gain/(loss) on translation of foreign currency which was previously reported under Cost of Sales has been reclassified under Finance Income and Costs.

5.5 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. 27.00 per share for the year ended 31st March 2016. 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.



At a glance

The final section can be read at a glance and includes 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 Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st March 2016 and the audited Statement of Financial Position at that date have been submitted to the Colombo Stock Exchange within the stipulated period prior to the AGM to be held on 29th June 2016.

2 Shareholders

The number of shareholders as at 31 st March 2016 was 1,770 (1,745 as at 31st March 2015).

No of Shares held	Resident			Non Resident			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	Total No. of Shares	%
1 - 1,000	1,512	180,037	2.03	25	6,368	0.07	1,537	186,405	2.10
1,001 - 10,000	173	487,579	5.49	4	17,652	0.20	177	505,231	5.69
10,001 - 100,000	39	1,175,423	13.24	1	19,000	0.21	40	1,194,423	13.45
100,001 - 1,000,000	15	5,350,400	60.28			0.00	15	5,350,400	60.28
1,000,001 and over	1	1,639,978	18.48			0.00	1	1,639,978	18.48
Total	1,740	8,833,417	99.52	30	43,020	0.48	1,770	8,876,437	100.00

Over 99% of the shares issued is held by residents of Sri Lanka.

Categories of Shareholders	31st March 2016			31st March 2015		
	No. of Shareholders	No. of shares	%	No. of Shareholders	No. of shares	%
Individuals	1,686	5,513,766	62.12	1,649	5,506,227	62.03
Institutions	84	3,362,671	37.88	96	3,370,210	37.97
Total	1,770	8,876,437	100.00	1,745	8,876,437	100

3 Market Value of Shares

The market value of an ordinary share of Diesel & Motor Engineering PLC (based on the Volume Weighted Average Price) as at 31st March 2016 was Rs.549.70 (Rs. 630.00 as at 31st March 2015).

4 Dividend Payment

	2015/16 Rs.	2014/15 Rs.
First and final dividend - Rs. 27.00 per share (Rs. 20.00 per share - 2014/15)	239,663,799	177,528,740

5 Share Trading Information from 1st April 2015 to 31st March 2016

	2015/2016		2014/2015	
Highest (Rs.)	799.00	12-Aug-15	730.00	2-Sep-14
Lowest (Rs.)	520.10	9-Mar-16	485.00	7-Apr-14
Closing (Rs.)	549.70	31-Mar-16	630.00	31-Mar-15
No. of transactions	1,228		2,172	
No. of shares traded	167,237		908,207	
Value of shares traded (Rs.)	111,892,715		547,342,929	

6 Public Shareholding

As at 31st March	2016	2015
Number of shares	4,133,467	4,764,211
%	46.57	53.67

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7 History of Share Issues

Year	Issue	No. of Shares	Price
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

8 Changes in Shareholdings of Directors and their Spouses During 2015/2016

Name	Shareholding %	As at 31.03.2016 Shares	Movement of Shares	As at 31.03.2015 Shares
Mr A R Pandithage	21.74	1,929,735	10,000	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
	39.59	3,513,287	10,000	3,503,287

9 Top Twenty Shareholders

Name	31st March 2016		31st March 2015	
	Shares	%	Shares	%
Employees Provident Fund	1,639,978	18.48	1,650,183	18.59
Mr. A R Pandithage	991,233	11.17	991,233	11.17
Mrs. J C Pandithage	938,502	10.57	928,502	10.46
A & G Investments Pvt Limited	630,267	7.10	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	160,000	1.80	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	123,733	1.39
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
Bank of Ceylon No. 01 Account	77,935	0.88	36,356	0.41
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
Pan Asia Banking Corporation/ALMAR International (Pvt) Ltd	62,810	0.71	62,861	0.71
	7,278,784	82.00	7,215,333	81.29

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
Section 1 :		
A. DIRECTORS		
A.1 THE BOARD		
	Every public company should be headed by an effective Board, which should direct, lead and control the company	
A.1.1	The Board should meet regularly, at least once in every quarter	Board of Directors met six times during the financial year, and met atleast once in quarter. 93% attendance was maintained on average. Up-to-date financial and non-financial information are disseminated to the Directors prior to each meeting. Composition of the Board and Board Committees and attendance at meetings is available on page 90.
A.1.2	BOARD SHOULD BE RESPONSIBLE FOR MATTERS INCLUDING:	
	<ul style="list-style-type: none"> Ensuring the formulation and implementation of a sound business strategy 	The Board provides leadership in determining the vision, strategic direction, and creating value responsibly to the Group. Accordingly the Board has formulated a comprehensive strategy with focus on collaboration of employees to deliver differentiation in the products and services we represent. The way in which the Board implement the strategy to create value, is graphically presented through the value creation model. DIMO strategy statement and the value creation model is presented from pages 28 to 30.
	<ul style="list-style-type: none"> Ensuring that the CEO and the Management Team possess the skills, experience, and knowledge to implement strategy 	The Directors possess diverse skills and bring a wide range of expertise and competencies that facilitates the effective discharging of Board responsibilities. The Board actively works to ensure that the CEO and management team continue to have the right balance of skills, experience and knowledge necessary to discharge their responsibilities. The Board is apprised of the recruitment decisions of the senior management, paying due attention to knowledge, skills and experience required for them to hold the managerial position. A brief resume of each Director and the Directors who offer themselves for re-election is available in the Directors' profiles on pages 22 and 23 and the Annual Report of the Board of Directors on page 98 respectively.
	<ul style="list-style-type: none"> Ensuring the adoption of an effective CEO and key management personnel succession strategy 	The Board, with the assistance of the Nomination Committee, reviews succession plans available for the succession of key management personnel. Moreover, effective succession planning is a criterion in the performance appraisals of the key management personnel.
	<ul style="list-style-type: none"> Ensuring effective systems to secure integrity of information, internal controls, business continuity and risk management 	The Board has designed and implemented a sound internal control system to ensure the effective and sustainable performance. Internal auditors continuously monitor and report on the internal control system. Independent auditors too may report to the Board on any weaknesses in internal controls that they come across during their review. Measures taken towards an effective internal control system are given under D.2.1 of this table and the Risk Management framework is set out in the Risk Management Report on page 76.
	<ul style="list-style-type: none"> Ensuring compliance with Laws, regulations and ethical standard 	The Board ensures compliance with mandatory laws and regulations and promote voluntary adherence to enhance the transparency and the accountability in the path of value creation. The Conformance Report presented from pages 82 to 95 discusses the DIMO compliance status in detail.
	<ul style="list-style-type: none"> Ensuring all stakeholder interests are considered in corporate decisions 	The Board has initiated a stakeholder engagement programmes by which the company identifies the material stakeholder issues. The corporate strategy developed by the Board ensure all material aspects identified, have been address adequately. The Annual Report extensively covers our interactions with stakeholders. Please refer pages 31 to 33, for details of stakeholder engagement.

Code Ref	Requirement	Compliance with the Code
	<ul style="list-style-type: none"> Recognising sustainable business development in corporate strategy, decisions and activities 	The Board recognises the importance of including the principles of sustainability in corporate strategy, decisions and activities. The value creation model given on pages 28 and 29 of the Annual Report 2015/16, shows the inclusiveness of stakeholders and the environment in the value creation process. Refer the Impact Report from pages 63 to 75 for more information on the Company's activities with regard to sustainability.
	<ul style="list-style-type: none"> Ensuring that the Company's values and standards are set, with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations 	<p>The Code of Business Ethics requires compliance with laws, regulations and corporate policies at all times. These ensure that prescribed accounting policies are fully in line with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulations are adhered to.</p> <p>Refer the Independent Auditor's Report, which affirms that the Company's Financial Statements are in line with Sri Lanka Accounting Standards, given on page 105.</p>
	<ul style="list-style-type: none"> Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned 	The size and the scale of the organisation demands expertise in diverse areas of business at the level of Board of Directors. Expertise in Finance, Engineering, Law and Marketing is available in the present Board to address any other functions that are vital, given the scale, nature and the complexity of the Company's business.
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.	<p>The regulatory framework adopted by the Company provides the framework for conformance, and identifies what is expected to be followed by the Board, upholding the values of ethical and good business practices ensuring confidentiality and ethical dealing. Any Director may obtain independent professional advice that may be required in discharging his/ her responsibilities effectively, at the Company's expense.</p> <p>The regulatory framework with mandatory compliance and voluntary adherence is depicted in the Conformance Framework presented on page 83.</p>
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.	<p>Members of the Board have unrestricted accesses to the advice and services of the Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, CSE listing rules, SEC directives, Board procedures and other applicable rules and regulations are followed.</p> <p>The appointment and removal of the Company Secretary rests with the Board.</p>
A.1.5	All Directors should bring independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct.	All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and standards of 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.	<p>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.</p> <p>The Board papers and the agenda are dispatched to 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, reports on selected expenditure, staff appointments, bank facilities and utilisation, related party transactions, extracts of interest register and any other report as required.</p>

Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
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 on the training and development needs of the Directors.	A continuous 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	CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)	
	There are two key tasks at the top of every public company – conducting of 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 the 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 has enabled sharing of responsibilities of the Chief Executive function.
A.3	CHAIRMAN'S ROLE	
	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.	
A.3.1	<p>The Chairman should conduct Board proceedings in a proper manner and ensure, inter alia, that:</p> <ul style="list-style-type: none"> the effective participation of both Executive and Non-Executive Directors is secured; all Directors are encouraged to make an effective contribution, within their respective capabilities, for the benefit of the Company; a balance of power between Executive and Non-Executive Directors is maintained; the views of Directors on issues under consideration are ascertained; and the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders. 	<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>The attendance details of Directors at Board Meetings are available in Conformance Report which also include the composition of the Board and Board Committees and attendance at Meetings for 2015/2016. Refer A5, Board of Directors Et A18, Directors attendance on page 90.</p>
A.4	FINANCIAL ACUMEN	
	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.
A.5	BOARD BALANCE	
	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.	

Code Ref	Requirement	Compliance with the Code
A.5.1	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.	Four out of ten Directors were non-executive Directors up to 10th August 2015. Three out of nine Directors are Non-Executive Directors from 10th August 2015 to 31st March 2016. A brief resume of each Director is available on pages 22 and 23.
A.5.2	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'.	Three out of four Non-executive Directors were independent up to 10th August 2015. Two out of three non-executive Directors are independent from 10th August 2015 to 31st March 2016. The names of Independent Non-Executive Directors are as follows. 1. Mr. R. Seevaratnam 2. Dr. H. Cabral
A.5.3	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.	The Independent Directors match all criteria set by this section except the number of years they have been serving on the Board. However the Board has determined the independence of above Non-Executive Directors notwithstanding of the circumstance of service period exceeding nine years. A special disclosure in this regard is available on pages 98 and 99. Related party transactions and Directors interest in contracts are disclosed on pages 145 and 101 respectively.
A.5.4	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.
A.5.5	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 special declaration on the determination of independence of Independent Non-Executive Directors, is presented on pages 98 and 99. The names of Independent Non-Executive Directors are given on page 90.
A.5.6	Appointment of an alternate director by a non-executive independent directors.	No alternative Directors were appointed during the year.
A.5.7	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.
A.5.8	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.
A.5.9	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 consults the Independent Directors to obtain their views on matters of importance, as and when the need arises. Chairman met with Non-Executive Directors, without the presence of Executive Directors during the year.
A.5.10	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, at the request of the Director concerned. Minutes of the Board Meetings are circulated to all Directors and adopted at a subsequent Board Meeting.

Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
A.6	SUPPLY OF INFORMATION	
	The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	
A.6.1	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.	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.
A.6.2	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.
A.7	APPOINTMENTS TO THE BOARD	
	There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
A.7.1	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 to the Company and subsidiary companies and members to the Group Management Committee based on the recommendations of the Nomination Committee. The Nomination Committee has specific terms of references defining its scope and authority. Up to 10th August 2015, the Nomination Committee consisted of three Non-Executive Independent Directors, one Non-Executive Director and the Chairman. From 10th August 2015 onwards the committee consisted of two Independent Non-Executive Directors, one Non-Executive Director and the Chairman of the Board. The Chairman of the Committee throughout the year was Dr. H. Cabral, who is an Independent Director. The composition of the Nomination Committee as at 31st March 2016 is as follows, 1. Mr. A.R. Pandithage 2. Mr. R. Seevaratnam 3. Dr. H. Cabral 4. Mr. A.M. Pandithage Prof. U.P. Liyanage was a member of the committee up to 10th August 2015. The Report of the Nomination Committee is available on page 93.
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: a) a brief resume of the Director; b) the nature of his expertise in relevant functional area c) the names of companies in which the Director holds Directorship or Membership in Board Committees and d) whether such Director can be considered 'independent'.	There were no new appointments to the Board of Directors during the year under review.

Code Ref	Requirement	Compliance with the Code
A.8	RE-ELECTION	
	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.	Except for the Managing Director, all other Directors retire by rotation and may offer themselves for re-election at the AGM. As per the article of association the Managing Director, is not required to make himself available for re-election.
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.	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. 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. The names of the Directors coming up for re-election at the AGM 2016 are given in the Notice of Meeting of the Annual Report 2015/16.
A.9	APPRAISAL OF BOARD PERFORMANCE	
	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.	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; <ul style="list-style-type: none"> • its contribution towards developing, implementing and monitoring of strategy, • communication with stakeholders, • processes involving the Board, • review of its own performance evaluation process and • other areas related to discharging its responsibilities
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its Committees.	The Board carries out a performance evaluation of the Board and of its Committees. The methodology followed for evaluation of Board performance is given in A.G.1. Performance evaluation of Board Committees is done by way of a discussion.
A.9.3	The Board should state how such performance evaluations have been conducted, in the Annual Report.	This section itself would serve the purpose of disclosure.
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 pages 22 and 23 and A18, Composition of the Board on page 90.
	Name, qualifications, brief profile.	Available in the Board of Directors' profile on pages 22 and 23.
	The nature of his expertise in relevant functional areas;	Available in the Board of Directors' profile on pages 22 and 23.
	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 pages 22 and 23.
	Names of listed companies in Sri Lanka in which the Director concerned serves as a Director;	Available in the Board of Directors' profile on pages 22 and 23.
	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 pages 22 and 23.
	Number/percentage of Board meetings of the Company attended during the year;	Refer A 18 attendance at meetings on page 90.

Code of Best practice on Corporate Governance - Detailed Disclosure

Code Ref	Requirement	Compliance with the Code																																																						
	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 rowspan="2">Name of the Director</th><th colspan="2">Total No of Board Seats held by each Director in listed Companies(Other than this "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>Executive Director</th><th>Non-Executive Director</th><th>Executive Director</th><th>Non-Executive Director</th></tr><tr><td>A.R. Pandithage</td><td>-</td><td>-</td><td>3</td><td>1</td></tr><tr><td>A.G. Pandithage</td><td>-</td><td>-</td><td>3</td><td>-</td></tr><tr><td>A.N. Algama</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></tr><tr><td>Dr H. Cabral</td><td>6</td><td>-</td><td>5</td><td>-</td></tr><tr><td>B.C.S.A.P. Gooneratne</td><td>-</td><td>1</td><td>2</td><td>-</td></tr><tr><td>A.M. Pandithage</td><td>12</td><td>1</td><td>135</td><td>11</td></tr><tr><td>R. Seevaratnam</td><td>-</td><td>9</td><td>-</td><td>9</td></tr><tr><td>R.C. Weerawardane</td><td>-</td><td>-</td><td>2</td><td>-</td></tr></table>	Name of the Director	Total No of Board Seats held by each Director in listed Companies(Other than this "company"), in the capacity of		Total No of Board Seats held by each Director in Un-listed Companies in the capacity of		Executive Director	Non-Executive Director	Executive Director	Non-Executive Director	A.R. Pandithage	-	-	3	1	A.G. Pandithage	-	-	3	-	A.N. Algama	-	-	-	-	S.C. Algama	-	-	3	-	Dr H. Cabral	6	-	5	-	B.C.S.A.P. Gooneratne	-	1	2	-	A.M. Pandithage	12	1	135	11	R. Seevaratnam	-	9	-	9	R.C. Weerawardane	-	-	2	-
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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 2015/2016 on page 90.																																																						
	Number/ percentage of committee meetings attended during the year.	Composition of the Board and Board Committees and attendance at Meetings for 2015/2016 on page 90.																																																						
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.																																																						
B	DIRECTORS' REMUNERATION																																																							
B.1	REMUNERATION PROCEDURE																																																							
	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.1.1	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 Conformance Report which also include composition of the Board and Board Committees and attendance at Meetings for 2015/16 on page 90.</p> <p>Refer the Report of the Remuneration Committee on page 92.</p>																																																						

Code Ref	Requirement	Compliance with the Code
B.1.2	Remuneration Committees should consist exclusively of Non-Executive Directors, and should have a Chairman, who should be appointed by the Board.	The Committee consisted of three Non-Executive Independent Directors and one Non-Executive Director up to 10th August 2015, up to which date Professor U.P. Liyanage was the Chairman of the Committee. The Committee from 10th August 2015 onwards consisted of two Independent Non- Executive Directors and one Non-Executive Director. The Chairman of the Remuneration Committee is Dr. H. Cabral, an Independent Non-Executive Director. The composition of the Remuneration Committee met the requirements of the Colombo Stock Exchange Listing Rules.
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	Names of the Chairman, members of the Remuneration Committee and committee attendance at meetings are available in the Conformance Report from pages 82 to 95.
B.1.4	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.1.5	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.	The remuneration of the Chairman / Managing Director is recommended by the Remuneration Committee. Mr. R. Seevaratnam who is the Senior Independent Director is a member of the Remuneration Committee. 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. The Committee is entitled to obtain professional advice at the Company's expense in discharging their responsibilities.
B.2	THE LEVEL AND MAKE UP OF REMUNERATION	
	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.2.1	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.	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 performance. Refer the Remuneration Committee report presented on page 92 for further details on remuneration policy.
B.2.2	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 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.2.3	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.
B.2.4	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.2.5	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.

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Code Ref	Requirement	Compliance with the Code
B.2.6	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.2.7	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.2.8	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.2.9	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.	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.3	DISCLOSURE OF REMUNERATION	
	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.3.1	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 2015/2016 are on page 90. 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.
C	RELATIONS WITH SHAREHOLDERS	
C.1	CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MEETINGS	
	Boards should use the AGM to communicate with shareholders and should encourage their participation.	
C.1.1	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.	The Company has in place a mechanism to count all proxy votes to indicate to the Chairperson the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.2	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.	Each substantially separate issue is proposed as a separate resolution. The adoption of the Annual Report of the Board of Directors, along with the Financial Statements, are also proposed as a separate resolution.
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 Chairmen of the Audit, Remuneration and Nomination Committees are usually present at the Annual General Meeting to facilitate shareholders' inquiries.
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

Code Ref	Requirement	Compliance with the Code
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.
C.2	COMMUNICATION WITH SHAREHOLDERS	
	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 channels company uses to reach shareholders 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.
C.3	MAJOR AND MATERIAL TRANSACTIONS	
	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.

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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>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 2015</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> <p>The company is compliance with all the other regulatory and statutory requirements are disclosed in the Conformance Report presented from pages 82 to 95.</p>	Interim / Annual Report	Status	Annual Report for the year ended 31st March 2015	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 2015	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">the Company has not engaged in any activity, which contravenes laws and regulations;the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested;the Company has made all endeavours to ensure the equitable treatment of shareholders;the business is a going concern, with supporting assumptions or qualifications as necessary; andThey 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.	Refer the Annual Report of the Board of Directors depicted on pages 98 to 100 and Directors' Statements on Internal controls on page 102 for respective declarations.												
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 102 and Statement of Directors' Responsibilities for Financial Statements on page 103.												
D.1.4	<p>The Annual Report should contain a 'Management Discussion & Analysis', discussing, among other issues:</p> <ul style="list-style-type: none">industry structure and developments;opportunities and threats;risks and concerns;internal control systems and their adequacysocial and environmental protection activities carried out by the Company;financial performance;material developments in human resource / industrial relations; andProspects for the future.	Information required by this section is included in the various sections of the Annual Report 2015/2016.												

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.	Refer Annual Report of the Board of Directors from pages 98 to 100 for the information on the Board's determination of the entity as a going concern.
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	<p>The Board should adequately and accurately disclose the related party transactions in its Annual Report:</p> <ul style="list-style-type: none"> 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. It should be the responsibility of the Company Secretary to keep a record on related party transactions and make necessary disclosures accordingly; 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; A record/register either in hand or soft form on related party and related party transaction should be maintained by the company; 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. 	Refer Related Party Disclosure and Directors' interest in contract with the Company on pages 145 and 101 respectively.
D.2	INTERNAL CONTROL	
	The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the company's assets.	
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.</p> <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> <p>Refer the Board of Director's statement on internal controls on page 102 and Risk Management report depicted from pages 76 to 80 for more information on company's internal control and risk management procedures.</p>
D.2.2	Companies should have an Internal Audit function	<p>The Company has outsourced the internal audit function to enhance the independence required by the function. The Group Internal Auditor who has been appointed on during the financial year is an employee of the Company.</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.</p> <p>The Audit Committee reviewed the fees paid to Internal Auditors.</p>

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Code Ref	Requirement	Compliance with the Code
D.2.3	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 76 and 80.
D.2.4	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
D.3	AUDIT COMMITTEE	
	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.	
D.3.1	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. The Chairman of the Committee should be a Non- Executive Director, appointed by the Board.	Present Audit Committee consists of two 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. 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. The composition and attendance to the meetings of the Audit Committee is available in the table appearing in Conformance Report on page 90.
D.3.2	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	Main purpose of the Audit Committee 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. The Audit Committee makes recommendations with regard to appointments and if require the removal of Independent 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. Refer the report of the Audit committee presented on page 91 for further details.
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.
D.3.4	DISCLOSURES	
	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 2015/2016. Refer page 90. 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 91.

Code Ref	Requirement	Compliance with the Code
D.4	CODE OF BUSINESS CONDUCT & ETHICS	
	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	<p>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:</p> <ul style="list-style-type: none"> • conflict of interest; • bribery and corruption; • entertainment and gifts; • accurate accounting and record-keeping; • corporate opportunities; • confidentiality; • fair dealing; • protection and proper use of company assets; • compliance with laws, rules and regulations (including insider trading laws); and • Encouraging the reporting of any illegal or unethical behaviour. <p>These aspects are expanded on, in Schedule I.</p>	<p>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.</p> <p>There were no reported cases of non-compliance to, Code of Business Ethics by any Director / Key Management Personnel.</p>
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 from pages 98 to 100.
D.5	CORPORATE GOVERNANCE DISCLOSURES	
	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.	<p>The Section of this report titled "A very Clear Picture" (from pages 82 to 95) which includes a conformance report deals with the conformance aspects of relating Enterprise Governance. 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 jointly issued by the SEC and ICASL have been complied with.</p> <p>The Company has implemented the regulations of the Section 7.10 of the Listing Rules of Colombo Stock Exchange on Corporate Governance. Refer pages 88 and 89. An introduction to Enterprise governance (page 26) and aspects covering the performance dimensions of Enterprise Governance (pages 27 to 80) are also available in this Annual Report.</p>

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- Detailed Disclosure

Code Ref	Requirement	Compliance with the Code
SECTION 2		
SHAREHOLDERS		
E	INSTITUTIONAL INVESTORS	
E.1	SHAREHOLDER VOTING	
	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.	
E.1.1	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 the importance to understand the views of shareholders and, in particular, any issues which concern them.
E.2	EVALUATION OF GOVERNANCE DISCLOSURES	
	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.
F	OTHER INVESTORS	
F.1	INVESTING/ DIVESTING DECISION	
	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.
F.2	SHAREHOLDER VOTING	
	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
G	SUSTAINABILITY REPORTING	
	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
G.1.1	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 Economic Impact from pages 63 to 64.

At a glance

148 Appendices
175 Corporate Information
176 Notice of Meeting
177 Form of Proxy

Code Ref	Requirement	Compliance with the Code
G.1.2	<p>The Environment</p> <p>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.</p>	Please refer Environmental Impact from pages 65 to 71.
G.1.3	<p>Labour practice</p> <p>Labour practices governance of an organisation encompass all policies and practices relating to work performed by or on behalf of the organisation.</p>	Please refer Human Capital from pages 47 to 51.
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 pages 72 to 74.
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 pages 41 to 44.
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 pages 31 to 34.
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"> 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. Sustainable reporting should link sustainable issues more closely to strategy. Sustainability reporting may be built on a number of different guidelines 	<p>The Impact Report from pages 65 to 74 covers key aspects of sustainability and stakeholder engagement. The Annual Report 2015/16, 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 non-financial information reported is available on pages 170 to 172.</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.	
GENERAL STANDARD DISCLOSURES				
STRATEGY AND ANALYSIS				
G4- 1	page 12		yes, 170-172	1-10
	page 16		yes, 170-172	
G4- 2	page 12		yes, 170-172	
	Page 16		yes, 170-172	
	page 75		yes, 170-172	
	Page 76			
ORGANISATION PROFILE				
G4- 3	page 175		yes, 170-172	
G4- 4	page 56-60		yes, 170-172	
G4- 5	page 175		yes, 170-172	
G4- 6	page 6		yes, 170-172	
G4- 7	page 175		yes, 170-172	
G4- 8	page 56-60		yes, 170-172	
G4- 9	page 56-60		yes, 170-172	
G4- 10	Page 47, http://www.dimolanka.com/sustainability-performance/		yes, 170-172	
G4- 11	http://www.dimolanka.com/sustainability-performance/		yes, 170-172	
G4- 12	page 28, page 46		yes, 170-172	
G4- 13	page 6		yes, 170-172	
G4- 14	page 6		yes, 170-172	
G4- 15	page 74		yes, 170-172	
G4- 16	Page 74		yes, 170-172	
IDENTIFIED MATERIAL ASPECT AND BOUNDARIES				
G4- 17	page 6, page 10		yes, 170-172	
G4- 18	page 6, page 31, page 34		yes, 170-172	
G4- 19	page 31, page 33		yes, 170-172	
G4- 20	page 6, page 31, page 33		yes, 170-172	
G4- 21	page 6, page 31, page 33		yes, 170-172	
G4- 22	page 6		yes, 170-172	
G4- 23	page 6		yes, 170-172	
STAKEHOLDER ENGAGEMENT				
G4- 24	page 31, page 32		yes, 170-172	
G4- 25	page 31		yes, 170-172	
G4- 26	page 32		yes, 170-172	
G4- 27	page 34		yes, 170-172	
REPORT PROFILE				
G4- 28	page 6		yes, 170-172	
G4- 29	page 6		yes, 170-172	
G4- 30	page 6		yes, 170-172	
G4- 31	page 175		yes, 170-172	
G4- 32	page 6, page 170-172		yes, 170-172	
G4- 33	page 6, page 170-172		yes, 170-172	
GOVERNANCE				
G4- 34	page 26, page 83, page 150		yes, 170-172	1-10
G4- 35	page 83,		yes, 170-172	
G4- 36	page 26, page 84, page 150		yes, 170-172	
G4- 37	page 26, page 84, page 150		yes, 170-172	
G4- 38	page 22, http://www.dimolanka.com/sustainability-performance/		yes, 170-172	

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G4- 39	page 150		yes, 170-172
G4- 40	page 93		yes, 170-172
G4- 41	page 92, page 150		yes, 170-172
G4- 42	page 83-89, page 150-165		yes, 170-172
G4- 43	page 83-89, page 150-165		yes, 170-172
G4- 44	page 83-89, page 150-165		yes, 170-172
G4- 45	page 83-89, page 150-165		yes, 170-172
G4- 46	page 83-89, page 150-165		yes, 170-172
G4- 47	page 83-89, page 150-165		yes, 170-172
G4- 48	page 83-89, page 150-165		yes, 170-172
G4- 49	page 83-89, page 150-165		yes, 170-172
G4- 50	page 83-89, page 150-165		yes, 170-172
G4- 51	page 83-89, page 150-165		yes, 170-172
G4- 52	page 83-89, page 150-165		yes, 170-172
G4- 53	page 83-89, page 150-165		yes, 170-172
G4- 54		Not disclosure due to confidentiality constraints arising from the market sensitivity of the date	yes, 170-172
G4- 55		Not disclosure due to confidentiality constraints arising from the market sensitivity of the date	yes, 170-172
ETHIC AND INTEGRITY			
G4- 56	page 72-74		yes, 170-172
G4- 57	page 72-74		yes, 170-172
G4- 58	page 72-74		yes, 170-172

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.	
CATEGORY: ECONOMIC				
MATERIAL ASPECT : ECONOMIC PERFORMANCE				
G4-DMA				
G4- EC1	page 63		yes, 170-172	
G4- EC2		We are processing and analysis risk relating to climate changes	yes, 170-172	
G4- EC3	page 148 - 139		yes, 170-172	
G4- EC4	None		yes, 170-172	
MATERIAL ASPECT : INDIRECT ECONOMIC IMPACTS				
G4-DMA	page 72-74		yes, 170-172	
G4- EC7	page 72-74		yes, 170-172	
G4- EC8	page 72-74		yes, 170-172	
MATERIAL ASPECT : PROCUREMENT PRACTICES				
G4-DMA	Page 45		yes, 170-172	10
G4- EC9	Page 45		yes, 170-172	
CATEGORY: ENVIRONMENTAL				
MATERIAL ASPECT : MATERIALS				
G4-DMA	page 65, http://www.dimolanka.com/sustainability-performance/		yes, 170-172	8
G4- EN1	page 67		yes, 170-172	7, 8, 9
G4- EN2	page 67		yes, 170-172	

Appendix III

GRI Content Index for 'In accordance" - Comprehensive

MATERIAL ASPECT : ENERGY			
G4-DMA	page 67-68, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN3	page 67-68, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN4	page 67-68, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN5	page 67-68, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN6	page 67-68, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN7	page 67-68, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT : WATER			
G4-DMA	page 68-69	yes, 170-172	
G4- EN8	page 68-69	yes, 170-172	
G4- EN9	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN10	page 68-69	yes, 170-172	
MATERIAL ASPECT : EMISSION			8
G4-DMA	page 66-67, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN15	page 66-67, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN16	page 66-67, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN17	page 68-69	yes, 170-172	
G4- EN18	page 66-67, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	7, 8, 9
G4- EN19	page 68-69	yes, 170-172	
G4- EN20	page 68-69	yes, 170-172	
G4- EN21	page 68-69	yes, 170-172	
MATERIAL ASPECT : EFFLUENT & WASTE			
G4-DMA	Page 70-71, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	8
G4- EN22	Page 70-71	yes, 170-172	8
G4- EN23	Page 70-71	yes, 170-172	8
G4- EN24	Page 70-71	yes, 170-172	
MATERIAL ASPECT: COMPLIANCE			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- EN30	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	8
MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCES MECHANISMS			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-EN34	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			1, 3, 6
G4-DMA	page 46- 47	yes, 170-172	
G4- LA1	page 47, supplementary information for Annual Rpeort 2015/16 - page -2	yes, 170-172	
G4- LA2	page 46- 50	yes, 170-172	
G4- LA3	page 46- 50	yes, 170-172	
MATERIAL ASPECT : OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	page 51	yes, 170-172	
G4- LA5	page 51	yes, 170-172	
G4- LA6	page 51	yes, 170-172	
G4- LA7	page 51	yes, 170-172	
G4- LA8	page 51	yes, 170-172	
MATERIAL ASPECT : TRAINING AND EDUCATION			
G4-DMA	page 49 - 50	yes, 170-172	
G4- LA9	page 49 - 50	yes, 170-172	
G4- LA10	page 49 - 50	yes, 170-172	
G4- LA11	page 49 - 50	yes, 170-172	

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MATERIAL ASPECT : SUPPLIER ASSESSMENT OF LABOUR PRACTICES			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- LA14	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- LA15	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT : LABOUR PRACTICE GRIEVANCE MECHANISMS			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- LA16	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
SUB-CATEGORY: HUMAN RIGHTS			1, 2, 3, 4, 5, 6
MATERIAL ASPECT : Non-discrimination			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- HR3	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT: HUMAN RIGHT GRIEVANCE MECHANISMS			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-HR12	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT : LOCAL COMMUNITIES			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- S01	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- S02	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT : ANTI-CORRUPTION			10
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- S03	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- S04	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- S05	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT : COMPLIANCE			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- S08	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-DMA	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-S011	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT : CUSTOMER HEALTH & SAFETY			
G4-DMA	page 40- 43	yes, 170-172	
G4-PR1	page 43, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-PR2	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT : PRODUCT & SERVICE LABELLING			1
G4-DMA	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-PR3	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	8
G4-PR4	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-PR5	http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
MATERIAL ASPECT : MARKETING COMMUNICATION			
G4-DMA	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-PR6	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-PR7	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
ASPECT : CUSTOMER PRIVACY			
G4-DMA	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4-PR8	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	8
MATERIAL ASPECT : COMPLIANCE			
G4-DMA	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	
G4- PR9	Page 40, http://www.dimolanka.com/sustainability-performance/	yes, 170-172	

Appendix IV

Independent Assurance Statement on Non-Financial Reporting

DNV·GL

Introduction

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of Diesel and Motor Engineering PLC ('DIMO' or 'the Company') to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial – qualitative and quantitative information (sustainability performance) prepared 'in accordance' – Comprehensive option based on GRI G4 guidelines Integrated Reporting Framework of the International Integrated Reporting Council and reported in the Company's Annual Report 2015/16 ('the Report') in its printed and online formats ('printed and web based Report').

This engagement focused on verification of non-financial – qualitative and quantitative information (sustainability performance) disclosed in the Report, and underlying management systems and reporting processes. The engagement was carried out against AccountAbility's AA 1000 Assurance Standard 2008 ((AA 1000AS (2008)) and the DNV GL Protocol for Verification of Sustainability Reporting ('VeriSustain' – www.dnvgl.com ; available on request) 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 information provided in the Report as well as the processes for collecting, analysing and reporting the information presented in the report. Our responsibility in performing this work is regarding the verification of the non-financial – qualitative and quantitative information (sustainability performance) reported in the Company's Annual Report – 2015/16 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 2016.

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 2015 to 31st March 2016 and reported in this Report;
- Review of the policies, initiatives, practices and performance described in the non-financial – qualitative and quantitative information (Sustainability Performance) reported as well as external references made in the Report;
- 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;
- Evaluation of the disclosed information in the Report, both General and Specific Standard Disclosures for 'In accordance' – Comprehensive reporting requirements

covering the systems and the processes the Company has in place for reporting;

- Confirmation of Sustainability Disclosures related to GRI G4 – 'in accordance' – Comprehensive as declared by Company.

The reporting aspect boundary is based on the internal and external materiality assessment covering the operations of companies in its sphere of control and influence i.e. the legal entities for which the DIMO group remains accountable and has direct control covering the operations (Vehicles– Sales, Vehicles – After Services, Marketing and Distribution, Construction and Material Handling Equipment and After Services, Electromechanical, Biomedical and Marine Engineering) in Sri Lanka , including the selected 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. The reported data on economic performance is based on audited financial statements by the Company's statutory auditors. No external stakeholders were interviewed as part of this assurance engagement.

Verification Methodology

This assurance engagement was planned and carried out in accordance with AccountAbility's AA1000 Assurance Standard 2008 ((AA1000AS (2008)) and VeriSustain. The Report has been evaluated against the principles of Inclusivity, Materiality and Responsiveness as set out in AA1000AS (2008) and the Reliability of specified sustainability performance information, as required for a Type 2, moderate level assurance engagement, and adherence to the additional principles of Completeness and Neutrality as set out in VeriSustain.

During the Assurance Engagement, we adopted a risk based approach, meaning we concentrated our verification efforts on the issues of high material relevance to DIMO business and its key stakeholders. As part of

verification, we visited Head office at Colombo and three sites, i.e. workshop and service centres at Colombo (Mercedes Benz Centre (DIMO 800)), Matara and Siyambalape, in Sri Lanka.

As part of the engagement, we have verified the statements and claims made in the Report. In doing so, we have:

- Reviewed the Company's 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, data accuracy, information flow and controls;
- Examined and reviewed documents, data and other information made available by the Company;
- Conducted in-person interviews with middle and senior management team and other representatives, including data owners and decision-makers from different functions of the Company during corporate and site visits;
- Performed sample-based reviews of the mechanisms for implementing the Company's 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

In our opinion, based on the scope of this assurance engagement, the non-financial – qualitative and quantitative information (sustainability performance) reported in the DIMO Annual Report 2015/16 and referenced information in the Report, provides a fair representation of the sustainability related strategies, management system and performance and meets the general content

and quality requirements of the GRI G4, and reasons for non-disclosures are explained.

- General Standard Disclosures: We are of the opinion that the reported disclosures on General Standard Disclosures generally meet the reporting requirement for 'In accordance' – Comprehensive based on GRI G4.

- Specific Standard Disclosures: We are of the opinion that the following reported disclosures on Specific Standard Disclosures meets the reporting requirement for 'In accordance' – Comprehensive based on GRI G4 covering Generic Disclosures of Management Approach and applicable performance indicator for identified material aspects as below:

Economic

- Economic Performance – G4-EC1,EC3,EC4;
- Indirect Economic Impact – G4- EC7,EC8;
- Procurement Practices – G4- EC9;

Environmental

- Materials- G4-EN1;
- Energy – G4-EN3,EN4,EN5,EN6;
- Water- G4- EN8, EN10;
- Emissions – G4-EN15,EN16,EN17,EN18;
- Effluents and Wastes – G4- EN22,EN23,EN24;
- Compliance – G4-EN29;

Social

Labour Practices and Decent Work

- Employment – G4-LA1,LA2,LA3;
- Occupational Health and Safety – G4-LA5, LA6,LA7,LA8;
- Training and Education – G4- LA9,LA10,LA11;
- Diversity and Equal Opportunity – G4-LA12;

Human Rights

- Non-Discrimination- G4-HR3;
- Freedom of Association and Collective Bargaining – G4-HR4;
- Child Labour – G4-HR5;
- Forced and Compulsory Labour – G4-HR6;

Society

- Local Communities – G4-SO1,SO2;
- Anti-corruption – G4-SO3,SO4,SO5;
- Public Policy- G4-SO6;
- Anti-Competitive Behaviour- G4-SO7;
- Compliance – G4-SO8;
- Supplier Assessment for Impacts on Society-G4-SO9;

Product Responsibility

- Customer Health and Safety- G4-PR2;
- Product and Service Labelling – G4- PR3,PR4,PR5;
- Marketing Communications – G4-PR7;
- Customer Privacy-G4-PR8;
- Compliance – G4-PR9.

We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement'

AA1000AS (2008) Principles

Inclusivity: DIMO has established an effective process of stakeholder engagement to identify sustainability challenges and concerns of diverse stakeholder for value creation considering the DIMO's diverse businesses. The stakeholder concerns are well identified, documented and reported. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Materiality: DIMO has applied the materiality principles of GRI G4 and Integrated Reporting Framework to arrive at materiality for the Company. The process of materiality determination is well documented and considers inputs from diverse external stakeholders and DIMO businesses. The identified material issues were reviewed by DIMO's management team and it is reported that there are no significant changes in identified material aspects or aspect boundary from the previous reporting period. In our opinion, the level at which the Report adheres to this principles is 'Good'.

Independent Assurance Statement on Non-Financial Reporting

DNV GL

Responsiveness: The Report has brought out businesswise responses to key materiality aspects in a comprehensive manner for stakeholder to make informed decisions i.e. value creation, strategy, management approach and associated monitoring systems are well articulated in this Report. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Reliability: The majority of data and information verified at corporate office and sampled workshop sites were found to be fairly accurate, however 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. In our opinion, 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; 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 protocol

Completeness: The Report has fairly attempted to disclose the General and Specific Standard disclosures including the disclosure on management approach and performance indicators for identified material aspects for GRI G4 – 'In accordance' – Comprehensive option. The reporting of performance and data is comprehensive except for certain material aspects as systems to report the performance indicators are being established. In our opinion, 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 opinion, the level at which the Report adheres to the principle of Neutrality is 'Good'.

Opportunities for Improvement

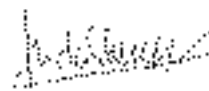
The following are an excerpt from the observations and opportunities for improvement reported to the management of the Company and are not considered for drawing our conclusions on the Report; however they are generally consistent with the management's objectives:

- Future reports may further bring out the impacts of material aspects in the value chain i.e. re-evaluate materiality in the value chain for the five business verticals sectors to further identify and manage the emerging material issues of respective sectors;
- Integrate risk management process with its sustainability strategy through consistent tracking and reporting of key performance indicators to achieve sustainable performance across business vertical sectors,
- Report may further strengthen the disclosures on outcomes related to key sectorial material issues and link the outcomes to overall value creation of reported capitals as per Integrated Reporting Framework

DNV GL's Competence and Independence

DNV GL is a global provider of sustainability services, with qualified environmental and social assurance specialists working in over 100 countries. DNV GL states its independence and impartiality with regard to this assurance engagement. While we did conduct other third party audits work with DIMO PLC in 2015-16, in our judgement this does not compromise the independence or impartiality of our assurance engagement or associated findings, conclusions and recommendations.

We were not involved in the preparation of any statements or data included in the Report, with the exception of this Assurance Statement. We maintain complete impartiality toward any people interviewed. For DNV GL,



Rathika de Silva
Country Head,
DNV GL Business Assurance Lanka (Private)
Limited, Sri Lanka



Ramesh Rajamani
Lead Verifier,
DNV GL Business Assurance India Private
Limited, India.



Vadakepatth Nandkumar
Assurance Reviewer,
DNV GL Business Assurance India Private
Limited, India.

3rd June' 2016,
Colombo,
Sri Lanka



AA1000
Licensed Assurance Provider
002-10

Appendix V

Ten Year Summary

Year Ended 31st March	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000	2010/11 Rs.'000	2009/10 Rs.'000	2008/09 Rs.'000	2007/08 Rs.'000	2006/07 Rs.'000
Operating Results										
Revenue	37,749,750	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
Profit before taxation	1,380,059	847,033	512,858	490,021	3,724,521	3,395,980	420,095	175,082	344,444	512,895
Income tax	(433,453)	(250,950)	(119,317)	(27,871)	(1,022,870)	(1,274,228)	(141,842)	(72,054)	(139,351)	(211,118)
Profit for the year	946,606	596,083	393,541	462,150	2,701,651	2,121,752	278,253	103,028	205,093	301,777
Capital Employed										
Stated capital	425,297	425,297	425,297	425,297	425,297	182,500	182,500	182,500	182,500	
Share capital	-	-	-	-	-	-	-	-	-	121,000
Share premium	-	-	-	-	-	-	-	-	-	61,500
Other components of equity	2,839,356	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
Revenue reserves	6,725,026	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
Total equity	9,989,679	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
Total borrowings	6,481,855	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
Total capital employed	16,471,534	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
Assets Employed										
Non- current assets	7,982,821	8,039,357	6,937,410	5,719,010	4,763,435	3,099,509	2,149,406	2,234,911	1,463,068	1,005,370
Current assets	12,349,823	9,910,853	9,157,244	7,183,369	10,536,783	7,839,972	3,389,023	3,028,263	4,368,090	4,193,262
Total liabilities (excluding borrowings)	(3,861,110)	(3,458,434)	(2,227,035)	(1,851,412)	(2,813,774)	(3,670,168)	(1,370,901)	(548,658)	(1,371,633)	(827,436)
Total assets employed	16,471,534	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
Cash Flows										
Net cash from/(used in) operating activities	(836,816)	648,049	(726,849)	3,207,700	(2,430,074)	1,793,848	846,833	625,652	520,706	383,134
Net cash from/(used in) investing activities	(223,129)	(677,408)	(1,361,283)	(970,581)	(788,829)	(937,710)	(24,275)	1,918	(519,212)	(287,636)
Net cash from/(used in) financing activities	(495,191)	(340,735)	975,156	(474,062)	277,902	(377,658)	(295,885)	(416,861)	179,289	(49,458)
Net increase/(decrease) in cash and cash equivalents	(1,555,136)	(370,094)	(1,112,976)	1,763,057	(2,941,001)	478,480	526,673	210,709	180,783	46,040
Key Indicators										
Earnings per share (Rs.)	106.64	67.15	44.34	51.16	304.36	239.03	27.97	9.36	16.95	25.76
Net assets per share (Rs.)	1,125.42	1040.73	891.97	859.71	838.24	473.26	252.92	230.39	136.95	124.50
Market value per share (Rs.)	549.70	630.00	505.00	505.00	982.20	1,484.70	394.25	60.25	88.75	120.00
Dividend per share (Rs.)	27.00	20.00	10.00	10.00	40.00	61.00	7.00	3.00	4.00	6.00
Dividends approved (Rs.'000)	239,664	177,529	88,764	88,764	244,102	443,822	34,810	26,107	48,400	72,600
Annual sales growth (%)	34.64	34.25	24.64	(30.48)	35.91	178.78	14.61	(27.58)	(2.33)	23.57
Equity to total assets ratio (%)	49.13	51.46	49.19	59.15	48.63	38.40	39.78	38.09	28.42	28.98
Dividend cover (no of times)	3.95	3.36	4.43	5.11	7.61	4.00	3.11	2.34	4.02	3.88
Price earnings ratio (no. of times)	5.15	9.38	11.39	9.70	3.23	6.21	14.89	6.44	5.24	4.66
Current ratio (no. of times)	1.47	1.45	1.50	1.71	1.60	1.27	1.20	1.31	1.26	1.30
Turnover to capital employed (no of times)	2.29	1.93	1.51	2.51	3.19	4.04	2.53	1.95	2.84	2.97
Interest cover (no of times)	3.93	3.00	2.42	2.24	15.67	17.35	2.20	1.31	1.67	2.11
Average no. of employees	1,558	1,524	1,518	1,433	1,179	942	867	869	866	820

Appendix VI

Glossary

A

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or equivalents.

Available-for-Sale

Non derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to-maturity investments or financial assets at fair value through profit or loss.

Asset Turnover

The amount of sales generated for every Rupee worth of assets. It is calculated by dividing sales by assets.

C

Cash Equivalents

Short -term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Carbon Foot Print

Group's direct or indirect greenhouse gas emissions associated with the activities performed.

CFC

Chlorofluorocarbon - a class of compounds harmful to the ozone layer.

CFL

Compact fluorescent lamp. An energy-saving lamp.

Consolidate Financial Statements

Consolidated Financial Statements are the financial statements of a Group in which assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

Current Ratio

Total current assets divided by total current liabilities.

D

Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

Debt To Equity Ratio

Debt as a percentage of shareholders' funds.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend Payout Ratio

The percentage of earnings paid to shareholders in dividends.

E

Effective Tax Rate

Provision for taxation excluding deferred tax, expressed as a percentage of the profit before taxation.

Electricity

Purchased electricity (generated using either hydro power or thermal power) from the national grid.

Emissions

Emission of fumes, dust & ozone depleting gases to the atmosphere.

Equity

Shareholders' funds.

F

Fair Value

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Leverage

A measure of how an entity used its debt capital to finance its assets, calculated as total assets divided by total shareholders' equity.

G

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

H

Hazardous Waste

Waste that cannot be handled by routine waste management methods because of its biological, chemical or physical properties that may pose a danger to living organisms, materials, structures or the environment.

I

Interest Cover

Earnings before interest and taxes divided by interest expense for the year.

L

LED

Light Emitting Diode used as energy-efficient lighting.

M

Market Capitalisation

The number of ordinary shares issued multiplied by the market price of each share at a given date.

N

Net Assets

Total assets minus long term & current liabilities.

Net Assets per Share

Net assets at the year end divided by the number of shares in issue.

Net Profit Margin

Profit after tax attributable to equity holders of the parent divided by total revenue.

O

Organic Waste

Bio-degradable waste.

P

Price Earnings Ratio

Market price of share divided by earnings per share as reported at that date.

Q

Quick Assets Ratio

Total current assets minus inventories, divided by current liabilities.

R

Recycle

The process of converting waste material into reusable material.

Reuse

Using the item again for the same function or using it for a different function internally or externally.

W

Water Consumption

Usage of water by means of municipal supply, ground water or rain water harvesting.

Waste

Substance generated as a result of the processes.

Working Capital

Total current assets minus current liabilities.

Workshops

Locations that carry out the activity of servicing, repair, tinkering painting and washing of vehicles.

Corporate Information

Name of the Company

Diesel & Motor Engineering PLC

Registered Office

P.O. Box 339,
No. 65, Jetawana Road,
Colombo 14, Sri Lanka.
Telephone: +94-11-2449797, +94-11- 2338883
www.dimolanka.com
E-mail: dimo@dimolanka.com
Facsimile: +94-11-2449080

Legal Form

A public limited Company incorporated in 1945 under the Laws of the Democratic Socialist Republic of Sri Lanka. The Company was re-registered 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.

Lawyers

Julius Et Creasy
P.O.Box 154
41 Janadhipathi Mawatha
(Queen Street)
Colombo 1
Sri Lanka.

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
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 Seventy First 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 Wednesday, 29th June 2016 at 2.00 p.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 2016, with the report of the Auditors thereon.
2. To re-elect Mr. R C Weerawardane, who retires by rotation in terms of Article 66 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. A N Algama, who retires by rotation in terms of Article 66 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. A G Pandithage, who retires by rotation in terms of Article 66 of the Articles of Association, as a Director of the Company.
5. To re-appoint as a Director Mr. R. Seevaratnam who has reached the age of 72 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 72 years is hereby re-appointed a Director of the company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Mr. 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 pages 22 to 23 of the Annual Report.

NOTE

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
24th May 2016

Form of Proxy

I/We

of

being a member/members of DIESEL Et 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 Seventy First Annual General Meeting of the Company to be held on Wednesday, 29th June 2016 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 Annual Report of the Board of Directors and the Financial Statements of Accounts for the year ended 31st March 2016, with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(2) To re-elect Mr. R C Weerawardane, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
(3) To re-elect Mr. A N Algama, who retires by rotation at the Annual General Meeting, a Director.	<input type="checkbox"/>	<input type="checkbox"/>
(4) To re-elect Mr. A G Pandithage, who retires by rotation at the Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
(5) To reappoint as a Director Mr.R.Seevaratnam in terms of section 210 of the Companies Act No.07 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
"Resolved that Mr. R. Seevaratnam who has reached the age of 72 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.	<input type="checkbox"/>	<input type="checkbox"/>
(7) To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

The proxy may vote as he/she thinks fit on any other resolution brought before the meeting.

Dated this day of 2016.

Witness:

.....

.....

.....
Signature of Shareholder

1. A proxy need not be a member of the Company.
2. For 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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