DIMO

THE PERFECT PARTNER

DIESEL & MOTOR ENGINEERING PLC

ANNUAL REPORT 2019/20

THE PERFECT PARTNER

For over 80 years, DIMO has built a solid reputation as an honest and reliable provider of outstanding products and services and as a key player in several of Sri Lanka's biggest transportation and infrastructure projects. We have brought some of the world's greatest brands and technologies to the country, while proving our own skills and capabilities in business ventures beyond our shores.

This year, as we find ourselves facing the most formidable challenges on every level, we know we can rely on our corporate characteristics of integrity, people centricity, excellence and accountability to steer your company to better times. We are confident that the bonds of loyalty and trust we have with so many stakeholders will remain strong and that their belief that we are indeed a 'Perfect Partner' will make us a force to be reckoned with as we go forward into the years that lie ahead.

CONTENTS

POSITIONED FOR VALUE CREATION

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

REFLECTING ON VALUE CREATED

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

GEARING FOR FUTURE VALUE CREATION

This section provides information that will help the reader to assess how well we are geared to create value in long term.

FINANCIAL STATEMENTS

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

APPENDICES

This final section contains information that is complementary to the main report.

The PDF version of the Annual Report 2019/20 can be read at:

https://www.dimolanka.com/wp-content/uploads/2020/06/AR-2019-2020.pdf

HIGHLIGHTS

The year's story is a complex one. While on the whole, the company delivered positive results, our industry sectors have been forced to operate in a very challenging environment.

201
Rs. Million

Profit after tax
(2018/19 – Rs. 77 Million)

1,350
Rs.

Net asset per share
(2018/19 – Rs. 1,323)

21.97
Rs.

Earnings per share
(2018/19 – Rs. 5.78)

4.11
Employee engagement score
(2018/19 – 3.89)

90%
Customer satisfaction index
(2018/19 – 87%)

Formed six new business partnerships during the year.

Recognized as a Best Workplace in Asia in the category of Large Workplaces by the Great Place to Work Institute.

0.19 tCo_2e
Carbon emission per one million revenue
(2018/19 – 0.21 tCo_2e)

1,732 m^3
Rain water harvested
(2018/19 – 883 m^3)

WELCOME TO OUR 10TH INTEGRATED ANNUAL REPORT

This Annual Report aims to provide a concise and transparent assessment of how we have performed in line with our strategy and created value for our stakeholders and the organisation during the 12-month period ending 31st March 2020 and also our ability to create value in the short, medium and long term.

MATERIALITY

The materiality test embedded in our processes ensures that we report on all material aspects that affect our ability to create value. When analysing the content material to the report, the basis is provided by issues identified through stakeholder engagement; important topics that arise at Board and Group Management Committee (GMC) discussions and the results of the Group's risk management process.

pages 53 to 55 - Risk management
pages 14 to 15 - Stakeholder engagement

REPORTING BOUNDARY

This report covers the activities of Diesel & Motor Engineering PLC (DIMO) and its Subsidiaries, collectively referred to as DIMO Group. Table 01 below identifies the reporting boundary for the integrated report and the financial reports.

Table 01: Reporting boundary

Scope	Integrated reporting boundary	Financial Reporting Boundary
Diesel & Motor Engineering PLC (DIMO)	✓	✓
Subsidiaries	✓	✓
Joint Venture	×	✓
Key Stakeholder concerns	✓	×
Key external environmental factors	✓	×

Refer the Group structure presented on page 19 for the information on Group's subsidiaries and Joint ventures.

LAWS, REGULATORY FRAMEWORKS, STANDARDS, GUIDELINES AND PROTOCOLS

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

INDEPENDENT ASSURANCE

- Assurance from the Independent Auditors on the Consolidated Financial Statements (Independent Auditors' Report)

pages 65 to 69

The assurance on non-financial information could not be conducted due to movement restrictions arising from the COVID-19 pandemic. However, the Statement by the Board of Directors on the 2019/20 Integrated Report acknowledges that reasonable care has been taken when preparing this report, to preserve its integrity.

NAVIGATING OUR 2019/20 REPORTS

The PDF version of the Annual Report 2019/20 can be read at: https://www.dimolanka.com/wp-content/uploads/2020/06/AR-2019-2020.pdf

Supplementary information of the Annual Report 2019/20 can be read at: http://www.dimolanka.com/sustainability-performance/

Additional information on Corporate Governance can be read at: https://www.dimolanka.com/corporate-governance/

Detailed profiles of the Board of Directors: https://www.dimolanka.com/about-us/board-of-directors/

Board of Directors' Statement on the Integrated Annual Report

The Board of Directors;

- acknowledges that reasonable care has been taken during the preparation and presentation of this Integrated Annual Report, to preserve its integrity
- agrees that the integrated Annual Report has been presented in accordance with the International Integrated Reporting Council's International Integrated Reporting Framework V1.0
- affirms that we have applied our collective mind to the preparation and presentation of the information contained in the report; and
- believes that, to the best of our knowledge and belief, the integrated annual report addresses all material issues and fairly presents the integrated performance of the Group and its impacts

Signed for and on behalf of the Board,

A.R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Director/Group Chief Executive Officer

A. D. B. Talwatte
Chairman - Audit Committee

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

29th May 2020
Colombo

A MESSAGE FROM THE CHAIRMAN

Challenges are commonplace in any business. In fact, they bring out the hidden vigour of our tribe members. This year however was exceptional, and so was the response of my tribe.

I am pleased to present you the Annual Report 2019/20, with my observations about the year that has been, and the way forward. Although by regulation, we were allowed an extension on publishing the Financial Statements and holding the Annual General Meeting, the Board was of the view that the company should apprise the shareholders of the Group's affairs at the earliest opportunity. This belief led us to schedule our Annual General Meeting within the usual time period of three months from the end of the financial year.

BEING POSITIVE IN ADVERSITY

Challenges are commonplace in any business. In fact, they bring out the hidden vigour of our tribe members. This year however was exceptional, and so was the response of my tribe. The year started with the Easter Sunday terror attacks and there were many events that followed; the imposition of the luxury tax on vehicles, reduction in vehicle imports, vulnerability of the Sri Lankan Rupee, impact of post COVID-19 and import restrictions to name a few. On the positive side were the reducing interest rates, reduction in VAT and income tax rates, and the abolition of the Nation Building Tax and Economic Service Charge. The reduced interest rates and the manageable exchange rates give businesses a reason to be optimistic despite government revenue, balance of payment and GDP growth posing difficulties.

THE SCRIPT BEFORE THE PANDEMIC

After enduring some tough times, the Group was well on course to record a fairly satisfactory result for the fourth quarter of the financial year 2019/20. In fact, the Group recorded encouraging profits before tax for January and February 2020. The budget for 2020/21, prepared prior to the lockdown, reflected a lot of optimism. However, the emergence of the pandemic and the announcement of import restrictions in March changed the scenario. Instead of what could have been the "best month of the year", March 2020 became a significant loss due to the lockdown and lack of revenue during the month.

FINANCIAL RESULT FOR THE YEAR

The profit before tax for the year was Rs.280 million (Rs. 104 million in 2018/19), which was below the forecasts made at the commencement of the fourth quarter. The earnings per share was Rs. 21.97 (Rs. 5.78 – 2018/19). The total comprehensive income was Rs.271 million (Rs. 91 million in 2018/19).

In view of the need to preserve cash to meet the challenges impacted by the recent lockdown and import restrictions, the Board is of the view that the company retains the profit after tax without making a distribution.

THE PANDEMIC AND OUR RESPONSE

The pandemic affected our profitability, cash flow and our operational capability during the time businesses were under lockdown. These aspects have slowly improved with the gradual re-commencement of business. Our Board and the executive team focussed critically at the implications and formed two teams; the first committee is responsible for addressing short term issues such as minimising revenue losses, reducing costs, improving cash inflows, ensuring safety and maximising productivity of employees even if they are to work from home. The other team to deal with medium and long- term effects; this comprises responding to new norms in customer behaviour and probable government restrictions to stabilise the economy, expediting diversification, expanding revenue streams, improving the current value chain and examining current cost structures.

A MESSAGE FROM THE CHAIRMAN

IMPORT RESTRICTIONS

The import restrictions announced in March 2020 were subsequently tightened to prohibit the import of many passenger and commercial vehicles. The same applies to some spare parts in our offering. The ban has been brought in for a period of ninety days, however a continuation of the ban is likely to impact the company's performance for the ensuing year.

A NEW IDENTITY FOR DIMO

We have always given due prominence to stakeholder expectations when formulating our value propositions and our strategy. By engaging with stakeholders, we understand how well DIMO measures up against their expectations. Insights gathered during these stakeholder engagements have made us realise that there are improvements and adjustments required in the value proposition that we offer, and their perception about DIMO. With this in mind, we re-articulated our purpose, the values we live by and the standards of leadership required to achieve our purpose. With a view to communicating this fresh mindset and the change it aspires to, we introduced our new logo during the year. It will be my fervent duty to make DIMO the perfect partner for our stakeholders to fuel their dreams and aspirations in order to raise the bar for them and deliver their expectations.

REDUCTION IN TAXES AND INTEREST RATES

We welcome the reduction in income tax and VAT and the abolition of Nation Building Tax and Economic Service Charge. These measures, together with the reduction in interest rates, are bound to increase investments. We hope the market will reflect these moves through an increased demand for the capital goods that we sell. This, perhaps, will happen with the gradual fading off of the short-term impacts of COVID-19.

A GREAT AND SAFE PLACE TO WORK

My commitment to making DIMO a great and safe place is unwavering. I am firmly bound to nurture and protect my tribe members who are behind all the value created by our Group. Our employee value proposition (EVP) of "Making work enjoyable and rewarding" is the cornerstone of our Human Resource Strategy. DIMO being recognised as a Great Place to Work by the Great Place to Work Institute and as a Healthiest Workplace by AIA Vitality study is a manifestation of our EVP.

DIVERSIFICATION AS A GROWTH STRATEGY

We have, over the years, made a conscious effort to reduce the reliance on vehicle related businesses through diversification. Hence, we are directing special focus towards our non-auto businesses. It must be emphasized that these efforts are not at the expense of the vehicle business. Our commitment to ensure growth in the vehicle business has not diminished in anyway. During the year, the results of business segments other than the vehicle sales and after sales service segments, accounted for 48% of the total result.

We continued investing in our overseas operations by making an additional investment in our vehicle related operations in Myanmar and opening a branch in Uganda, where a power related project is currently being executed.

We see potential in our medical/healthcare business and are currently seeking business opportunities in this domain.

EMERGENCE OF THE AGRICULTURE SEGMENT

The agriculture segment, where our presence was previously only in tractors and harvesters, has now expanded into fertilizer and nutrients, agrochemicals, seeds, farm irrigation and allied areas. Going forward, we will consolidate the current portfolio and enhance revenue streams in this segment. New investments are likely to take place in the agriculture related businesses. It is regrettable that our ability to expand the fertilizer business is restricted by the current import quota system and I believe that a review of this system is required in order to provide a level playing field and to ensure an uninterrupted supply of fertiliser.

INVESTMENTS IN SOLAR POWER

We commenced our journey towards the generation of renewable energy during the year with the installation of a one mega-watt solar power generation field in Embilipitiya under a power purchase agreement with the Ceylon Electricity Board. This, together with the roof top installations at our own premises at DIMO 800, Weliveriya and Siyabalape, totals an installed capacity of 2.7 mega-watts. We have set our sights on more investments in renewable energy.

PROMOTING INTEGRATED THINKING

Translating purpose into action and eventually delivering stakeholder expectations requires a thorough understanding of the elements that facilitate value creation and their connectivity with each other. To achieve success, it is imperative that this awareness is spread to each member of our tribe. Action without an understanding of these intricacies may lead to sub-optimisation and compromised productivity. Therefore, as an organisation, we focus on creating a culture that enables people to pursue their individual objectives and those of the organisation fully aware of the dynamics and connectivity surrounding their specific domains of responsibility. These efforts are facilitated by the employee performance management system and the accredited management systems for quality, environment and social accountability.

SUSTAINABILITY DEVELOPMENT GOALS

Building a society characterised by fair and equal treatment is our responsibility, individually and collectively. At the same time our businesses should be built on principles that will ensure economic, societal and environment sustainability. The United Nations Sustainable Development Goals (SDG) play a key role in unifying such efforts. Therefore, it is our natural choice to commit ourselves to SDGs which, with universal participation, will ensure development in a sustainable manner, without compromising what our future generations inherit.

GOVERNANCE BEYOND COMPLIANCE

Corporate governance is the basis for corporate success and growth; not a set of rules that stifles growth. This is also a tool for the members of the Board to fulfil their stewardship obligations. Our commitment to good governance extends beyond compliance with rules and aspires to fulfil best practices.

BEING RELEVANT IN THE FOURTH INDUSTRIAL REVOLUTION

We are on the brink of the fourth industrial revolution which will be technology led. It will change the way we think, live and work. The clear difference between this revolution and the previous ones is the speed at which it is evolving. Our experience of the revolution will come in the form of extensive digital connectivity through mobile devices, extreme processing speeds, and high storage capacities coupled with evolving technologies in fields such as artificial intelligence, internet of things, robotics and 3D printing. This will bring forth opportunities and challenges; that's why encouraging digital intrapreneurship of the leadership team and fostering innovation will have a major role to play in our future agenda. Already, areas of our portfolio such as building technologies, bio-medical engineering and power engineering have become beneficiaries of these emerging technologies.

OUTLOOK

We are encouraged by the government's moves to reduce the tax burden and its attempts to keep interest rates at reduced levels. These build our expectations of more savings and investments which may spur higher demand for our capital goods. The government's intention to pursue development projects, even in the face of financial concerns, is expected to provide an impetus to economic activity. The possibility of consumption patterns changing due to the adoption of lifestyle changes post COVID-19 could also adversely impact business. The current prohibition on vehicle imports remains a crucial factor in the overall profitability of the Group.

ACKNOWLEDGMENTS

The sacrifices made by my leadership team and the members of my tribe were a source of strength during the recent lockdown. They have been the driving force behind the value we create for our stakeholders. I deeply appreciate the support extended by our foreign principals who have trusted us to be their preferred partner in Sri Lanka. Finally, I thank my colleagues on the Board who have readily supported me with their counsel and advice and for their dedication towards making DIMO what it is today.

A.R. Pandithage
Chairman/Managing Director

29th May 2020
Colombo

STRATEGIC REVIEW BY THE GROUP CEO

A TURBULENT YEAR

2019/20 was a challenging year for Sri Lanka. Beginning with the fallout of the Easter Sunday terror attacks in April 2019, followed by political changes mid-year and the onset of the COVID-19 Pandemic in March 2020, the financial year saw a depressed economy with curtailed consumption and dampened capital investments. Consequently, the Sri Lankan economy recorded a growth of 2.3% in real terms for the year 2019, compared with the growth of 3.3% in 2018, negatively affecting many segments of the Group.

The unexpected interruptions to business from mid-March 2020 due to the COVID-19 pandemic resulted in our inability to fulfil our delivery obligations on several contracts. It also caused customers to postpone "buy" decisions at the last moment. This had a negative impact on the performance of March 2020 and consequently the results of the financial year.

DIVERSIFICATION STRATEGY YIELDED RETURNS

Against the backdrop of a hostile external environment, Group revenue saw a 10% reduction from Rs. 38,300 million in 2018/19 to Rs. 34,558 million in 2019/20. The diversified product portfolio, driven by the Group's diversification strategy, facilitated a stable gross profit with a marginal growth of 1% from Rs. 7,233 million in 2018/19 to Rs. 7,332 million in 2019/20. This stable gross profit together with a 15% reduction in net finance cost resulted in a 162% increase in Group profit after tax from Rs. 77 million in 2018/19 to Rs. 201 million in 2019/20.

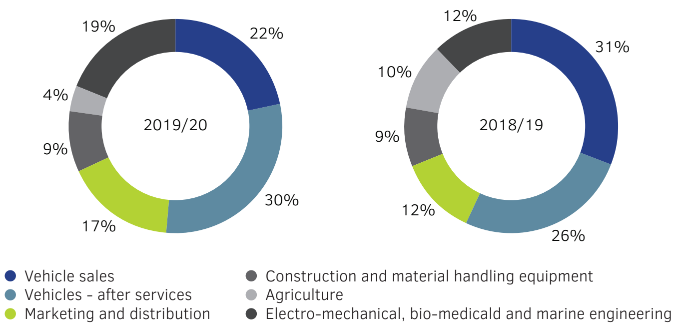
Diversification strategy:

Facilitates growth and leverages risks

32% reduction in results from vehicle sales was compensated by 28% and 49% increases in results generated by marketing and distribution segment and electro-mechanical, bio-medical and marine segment.

Graph 01:

Segment results 2019/20 vs 2018/19



Increasing government intervention in vehicle imports, including higher tariffs on imports, had a negative effect on the performance of the vehicle sales segment, resulting in a 32% reduction in revenue and 32% reduction in results compared to last year. Overall, there was a 45% reduction in the registration of passenger and commercial vehicles excluding three wheelers, quadricycles and motor homes. Against this drop in vehicle sales, and the possible increase in use of used vehicles, the Group has now focused on capitalising on investments made in the vehicle after service business. Efforts made to increase bay utilisation and vehicle service times, and to increase market reach for spare parts enabled the vehicle-after services segment to deliver 30% of the total result of six segments, thereby outperforming the Vehicles sales segment for the first time.

The electromechanical, bio-medical and marine engineering business also produced an improved result with a 49% increase in segment results. This was backed mainly by revenues from projects in power engineering and building technologies.

A slow growth of 0.6% in agriculture sector compared to 6.5% growth in 2018, together with a decline in tourism due to the Easter attacks caused a 15% reduction in revenue of the Agriculture segment, leading to a 60% reduction in segment results. The continued applicability of the fertiliser subsidy scheme and the import quota system for fertilisers further compromised the segment's ability to yield revenue.

Improvements in sales force efficiency and aggressive marketing campaigns improved the results of the marketing and distribution segment by 28% compared to last year. This momentum together with more focussed efforts in debt collection will continue through to the next year.

NAVIGATING THROUGH THE UNCERTAINTY: DIMO'S CRISIS RESPONSE PLAN

With the onset of the COVID-19 pandemic, DIMO's operations were affected by delays and uncertainties from the supply side, globally. The restrictions in movements and temporary closure of economic activities meant that demand side impacts followed soon. We are now in a phase of recovery from the COVID-19 impact.

DIMO's response plan for the uncertainties set forth by COVID-19 pandemic is three fold: build our resilience, adapt to new normalcy in markets and embrace an on-demand virtual workforce.

Building resilience involves securing liquidity, increasing supply chain responsiveness and most importantly, strengthening health and safety measures. Among the key initiatives taken to face the implications of the economic downturn were curtailing discretionary expenses; negotiating debt moratoriums with lenders; securing long term borrowings to fund permanent losses; stress testing and scenario planning for supply chain responsiveness; securing supplies already imported and the formation of an emergency health and safety committee.

Adapting to the new normalcy post COVID-19 includes responding to permanent shifts in customer behaviour and expectations. DIMO's agenda to adapt to the new normal will encompass transforming the sale of goods onto online platforms; home delivery of our offering, and stringent measures to ensure customer health and safety. With the uncertainty in global supply chains, the "new normal" would require us to revamp our business models to be better in cost, quality and delivery.

Embracing an on-demand virtual workforce, as I see it, is a positive trend that emerged post COVID-19. The Group's investments in a cloud-based working platform in 2018/19 accelerated our ability to adapt to virtual work life. Transforming into virtual working platforms, including conducting meetings and training programmes, has increased the effectiveness and efficiency of the Group's HR practices.

However, people must meet challenges through their commitment and engagement. The resilience demonstrated by the DIMO team in carrying out essential services and the support given for cost reduction measures, reflect that DIMO is not in shortage of those ingredients. This has given me the confidence that DIMO will indeed bounce back to normalcy faster and stronger.

TEMPORARY SUSPENSION OF IMPORTS

Adding to the challenges faced by the lockdown was the temporary suspension of imports introduced by the government, with amendments to follow. This has a key impact on vehicle sales and the vehicle aftersales segments. As it stands, the suspension is valid for ninety days. The teams involved in these segments are seeking alternative sources of revenue within each segment, while currently available stocks will help mitigate this supply side problem to some extent.

INTERNALISING THE NEW BRAND IDENTITY: A SOURCE OF COMPETITIVE ADVANTAGE

We have looked at DIMO's brand identity from a new lens, revisiting stakeholder expectations and incorporating them in the company's strategy formulation process. It requires external brand repositioning while internalising a new set of values; integrity, people centricity, customer delight, accountability and excellence. Internalising these values and revamping the corporate culture is part of the Group's collaboration strategy and will form a key source of competitive advantage in building future resilience. The Group Management Committee is working tirelessly to make this mandate a reality and the increase in the employee engagement score to 4.11 compared to 3.89 recorded last year, indicates that we are indeed on the right track and that our teams possesses the right mindset.

SUSTAINABILITY AS A BUSINESS IMPERATIVE

DIMO's purpose mandates that we help stakeholders to realise their dreams while creating value to the Group, responsibly. Responsible value creation is thus embedded in our DNA and is reflected in our strategy and business model.

Furthermore, we embrace green business opportunities with due priority. LED bulbs, hybrid and electric vehicles and construction machinery, entering renewable energy operations and promoting products that provide maximum energy efficiency and minimum environmental impacts are some examples in this regard.

THE WAY FORWARD

In the short term, given the prevailing turbulent operating environment due to the COVID-19 pandemic and restrictions on imports, a decline in profits is inevitable in the first quarter of 2020/21. Actions listed in our crisis response plan are expected to result in improved liquidity and agility, thus with relaxation of restrictions on imports and the gradual restoration of business activities, the company is expected to return to its normal level of operations by the end of the second quarter.

In the long term, ensuring our operations remain fit-for-purpose while anticipating a potential recession require embracing the duality of playing it safe while doubling down on new opportunities. This includes defensive tactics pertaining to cost management and debt collection, investment in digital transformation and pursuing diversification through strategically appropriate acquisitions.

Even amidst economic uncertainty, I am confident that DIMO is well positioned to face the future with a clear purpose, a new brand identity, a team that is capable of driving long term value creation and a global network nurtured for over 80 years. I look forward to a challenging and exciting year ahead.

A.G. Pandithage
Director/Group Chief Executive Officer

29th May 2020
Colombo

BOARD OF DIRECTORS

A.R. PANDITHAGE
Chairman/Managing Director

Appointments at DIMO

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

DIMO Committee Memberships

NC

Qualifications and Titles

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

Expertise

Engineering and leadership

A.G. PANDITHAGE
Director/Group Chief Executive Officer

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Finance and leadership

S.C. ALGAMA
Executive Director

Appointments at DIMO

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

Qualifications and Titles

Fellow of the Institute of Incorporated Engineers (SL).

Expertise

Engineering

M.V. BANDARA
Executive Director

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Marketing and sales

A.N. ALGAMA
Executive Director

Appointments at DIMO

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

Expertise

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

DR. H. CABRAL
Independent Non-Executive Director

Appointments at DIMO

Appointed to the Board in October 2006.

Board Committee Memberships

NC, RC, AC, RPTRC

Qualifications and Titles

President's Counsel in Sri Lanka, Doctorate in Corporate Law from University of Canberra, Australia. A sitting member of the International Chamber of Commerce (ICC) International Court of Arbitration in Paris and a Representative Member of the Federation of Integrated Conflict Management (FICM), a Representative Member of the International Commercial Disputes Tribunal (ICDT). A Fellow of the Institute of Chartered Secretaries & Administrators (UK). A member of the Board of Investment (BOI) of Sri Lanka, a member of the Law Commission of Sri Lanka and a member of the Intellectual Property Advisory Commission in Sri Lanka.

Expertise

Law

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

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Finance

A.N. RANASINGHE
Executive Director/Chief Marketing Officer

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Strategy, marketing and sales

P.K.W. MAHENDRA
Executive Director

Appointments at DIMO

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

Qualifications and Titles

Bachelor's degree from the University of Greenwich, UK.

Expertise

Engineering

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

Appointments at DIMO

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

Qualifications and Titles

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

Expertise

Marketing and sales

A.M. PANDITHAGE
Non-Executive Director

Appointments at DIMO

Appointed to the Board in September 1982.

Board Committee Memberships

NC, RC, AC, RPTRC

Qualifications and Titles

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Best Shipping Personality Award from the Institute of Chartered Shipbrokers; Leadership Excellence Recognition – Institute of Chartered Accountants of Sri Lanka; Lifetime Achievement Award at the Seatrade – Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year – Chartered Institute of Logistics & Transport.

Expertise

Business leadership, logistics and transport

R. SEEVARATNAM
Independent Non-Executive Director/ Senior Independent Director

Appointments at DIMO

Appointed to the Board in January 2007.

Board Committee Memberships

NC, RC, AC, RPTRC

Qualifications and Titles

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

Expertise

Finance, assurance

A.D.B. TALWATTE
Independent Non-Executive Director

Appointments at DIMO

Appointed to the Board in June 2016.

Board Committee Memberships

NC, RC, AC, RPTRC

Qualifications and Titles

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

Expertise

Finance, assurance

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

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

GROUP MANAGEMENT TEAM

A.R. PANDITHAGE
Chairman/Managing Director

A.G. PANDITHAGE
Director/Chief Executive Officer

S.C. ALGAMA
Executive Director

M.V. BANDARA
Executive Director

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

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

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

D.N.K. KURUKULASURIYA
Chief Human Resources Officer

P.K.W. MAHENDRA
Executive Director

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

A.N. RANASINGHE
Executive Director/
Chief Marketing Officer

M. WICKRAMASINGHE
Chief Information Officer

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

V. WICKRAMARATNE
Chief Operating Officer -
Marketing and Distribution

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

POSITIONED FOR VALUE CREATION

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

POSITIONED FOR VALUE CREATION

EVOLVING FOR THE FUTURE WITH A NEW CORPORATE IDENTITY

Our world is constantly changing; the aspirations of Sri Lankans are thus evolving. Our stakeholders' aspirations drive us forward. Thus, DIMO chose to look to the future through a new lens, with a bigger purpose, loftier goals and a renewed brand identity.

Our purpose mandates that we collaborate with stakeholders to deliver their dreams and aspirations and thereby create value for the organisation in a responsible manner. Understanding the pulse of our stakeholders thus becomes the basis of how we formulate DIMO's corporate strategy.

We laid the foundation to achieving our purpose by redefining our brand promise and values, which demand behavioural changes internally and externally. Internalising this change within DIMO's culture and repositioning our external identity lie at the heart of our management agenda in the short to medium term.

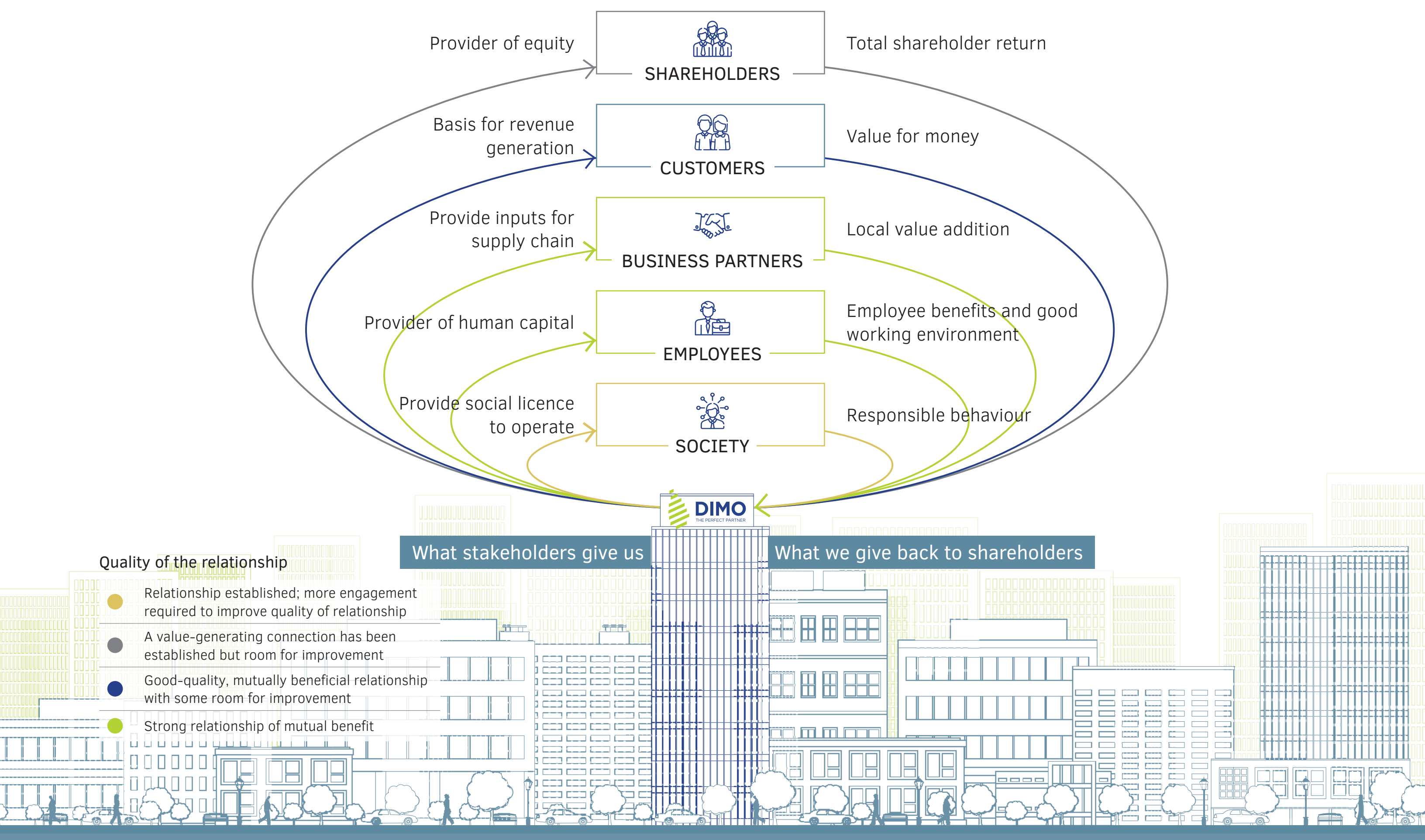
Our inherent strengths and the environment we share with our stakeholders have led us to formulate our overarching corporate strategy along the three areas of Diversification, Differentiation and Collaboration.

- **Purpose: "Fuelling Dreams and Aspirations"**
- **Brand promise: "The Perfect Partner"**

Values in Pursuing our purpose

Integrity	People Centricity	Excellence	Customer Delight	Accountability

Figure 01: Stakeholders, their importance to DIMO and their dependency on DIMO

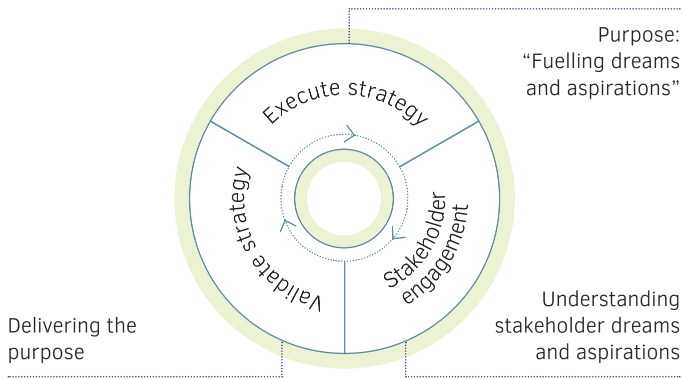


VALIDATION STRATEGY; STAKEHOLDER ENGAGEMENT

At DIMO, the management uses stakeholder engagement as a strategic tool that provides insight into stakeholder expectations, interests and preferences which may affect our future strategic direction. Our purpose is to "Fuel dreams and aspirations" and therefore, the pulse of the stakeholder is a key determinant when formulating strategy.

The Sustainability Committee headed by the Group CEO is entrusted with ascertaining stakeholder expectations, for which a stakeholder engagement process has been put in place. Details of how stakeholders are identified, categorised based on materiality, method and frequency of engagement and the detailed list of their material issues are disclosed on our website https://www.dimolanka.com/sustainability-performance/. Figure 01 summarise the outcome of this exercise.

Figure 02: Significance of stakeholder engagement for DIMO.



STRATEGY

Our inherent strengths and the environment we share with our stakeholders have led us to formulate our overarching corporate strategy around the three areas of Diversification, Differentiation and Collaboration.

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

Differentiation strategy facilitates competing aggressively in our chosen business domains. Areas of differentiation are determined by the interests and preferences of our target customers.

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

All three components enable DIMO to fulfil its purpose of existence. Accredited quality, environmental and social accountability management systems facilitate how strategy is cascaded to operational level. The strategy is kept updated through the stakeholder engagement process so that the company delivers the value expected by key stakeholders. Figure 03 further elaborates DIMO's strategy.

Figure 03: DIMO's corporate strategy

COLLABORATION

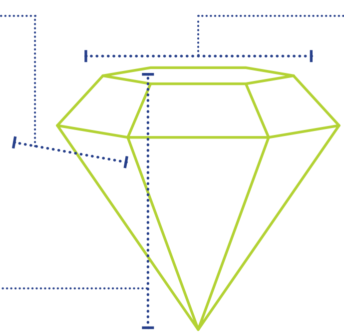
Collaborate with two key stakeholders to drive the differentiation strategy.

Collaboration with Business Partners

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

Collaboration with Employees

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



THREE DIMENSIONS OF DIMO'S CORPORATE STRATEGY

DIFFERENTIATION

Carefully designed value chain to deliver differentiation through the following.

Technological excellence	Customer primacy
Dependability	Market presence
Aftercare	Responsible behaviour

DIVERSIFICATION

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

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

Accredited Quality, Environmental and Social Accountability Management Systems

POSITIONED FOR VALUE CREATION

VALUE CREATION MODEL EXPLAINED

We implement the mandate set forth in the corporate strategy through a carefully thought value creation model. This model depicts how we add value through each activity we undertake by leveraging our core strengths, our expertise and our resources, thereby adding value to the organisation, to stakeholders and to the community.

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

Figure 04: Value creation model

EXTERNAL ENVIRONMENT

RE - deployment

RESOURCES THAT PROVIDE INPUTS

Monetised resources

Retained earnings and leeway in bank facilities provide a stable and cost-effective funding source while other monetised resources shape the value proposition we offer.

Relationships with customers

Customer centric culture together with a quality management system ensure long lasting relationships with our diversified customer portfolio.

Engaged employees

The competencies of our 1,916 number of employees with an average employee engagement score of 3.89, are the drivers of value creation.

Networks with global and local business partners

Our relationships with more than 80 internationally renowned business partners and our local supplier base provide a value source of competitive advantage.

Intellectual resources

Technology derived from foreign principals, our own investments in technology and accredited management systems improve the effectiveness of the value creation process while over 80 years of brand reputation and accumulated technical know-how form part of our key competitive advantage.

Inputs that are scarce or manufactured using scarce natural resources

Water, electricity and other sources of energy vital for value addition.

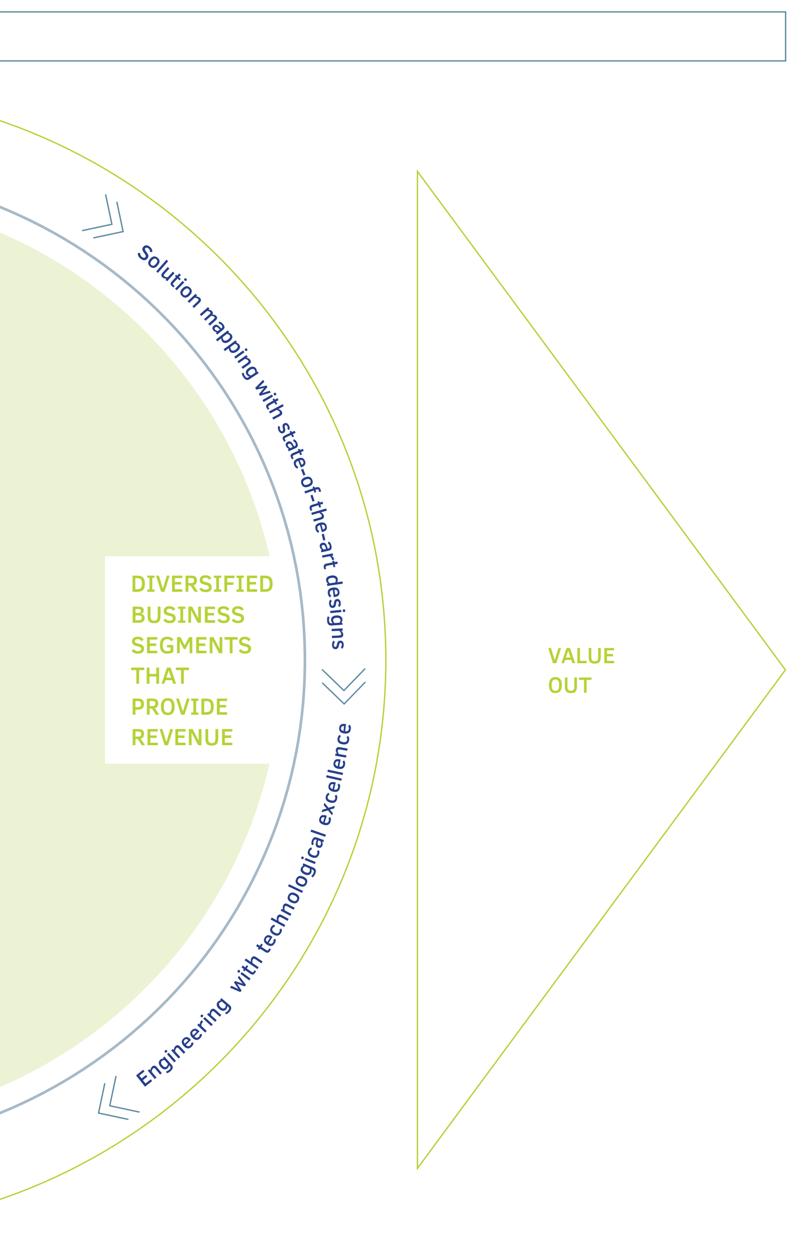
VALUE IN

DRIVING DIFFERENTIATION THROUGHOUT THE VALUE CHAIN

KEY IMPERATIVES TO ENABLE LONG TERM VALUE CREATION

Managing monetised resources to stimulate growth | Building effective and strong teams | Differentiating DIMO provide the basis for revenue generation. The Group also practices six imperatives, which further enhance our ability to create value in the short, medium and long term, as depicted in the value chain.

The value creation process results in outcomes of value created to the organisation, to shareholders and other stakeholder and makes the company a responsible corporate citizen, thus enabling DIMO to achieve its overall purpose of "Fuelling Dreams and Aspirations". Value created reflects in the stock of resources, which are then redeployed to the value creation process. Value created further helps the company to contribute to the United Nations' Sustainability Development Goals (UNSDG).



Value Created to the Organisation

4.11 ▲ 18/19 – 3.89
Employee engagement score

201 ▲ 18/19 – 77
Monetised value retained (Rs. million)

01 ▼ 18/19 – 02
Year on year gross profit growth (%)

11 ▲ 18/19 – 11
Return on capital employed (%)

Value Created to Stakeholders

90 ▲ 18/19 – 87
Customer satisfaction index

21.97 ▲ 18/19 – 5.78
Earnings Per Share (Rs.)

3,357 ▲ 18/19 – 2,966
Monetised resources distributed to employees (Rs. Million)

Being a Responsible Corporate Citizen

75 ▼ 18/19 – 89
Voluntary investments on community development (Rs. million)

6,510 ▼ 18/19 – 8,105
Tax and Tariff paid to the government (Rs. million)

0.19 ▲ 18/19 – 0.21
Carbon emission per one million revenue (tCO_2e)

8,616 ▼ 18/19 – 9,556
Water recycled and reused (Litres)

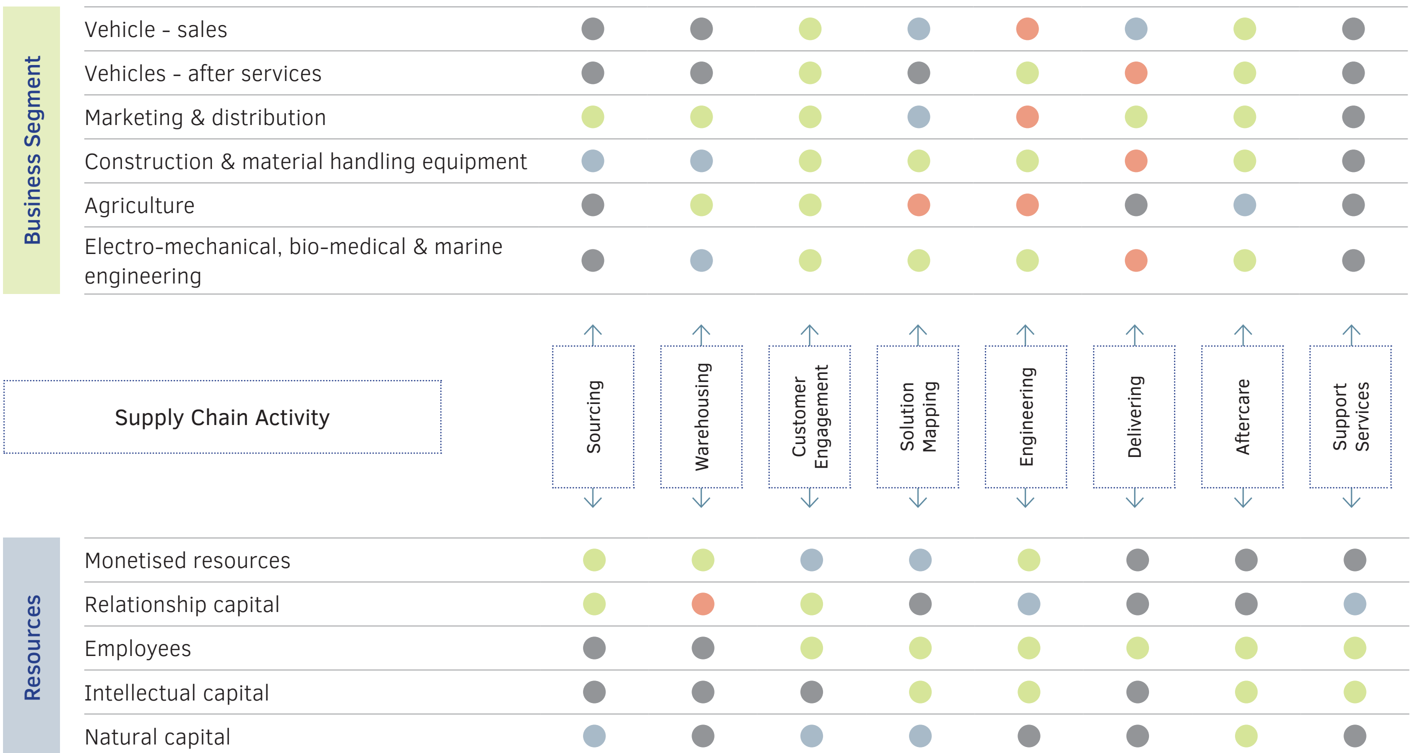
Responsible value chain | Governance: a structure that connects performance with purpose | Managing risks

POSITIONED FOR VALUE CREATION

BASIS FOR RESOURCE ALLOCATION

The value chain activities of the six business segments may differ based on the nature of products or services offered. The resources required by one value chain activity could, on the other hand, be different from the resource requirement of another. The following illustration depicts how critical each value chain activity is to each business segment and how critical each resource is for the respective value chain activity, thus establishing connectivity between each business segment and each resource. By establishing this connection, we allocate resources based on the requirement of each value chain activity and consequently, for each business segment.

Figure 05: Supply chain activities' connectivity with business segments and capitals



Legend

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

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

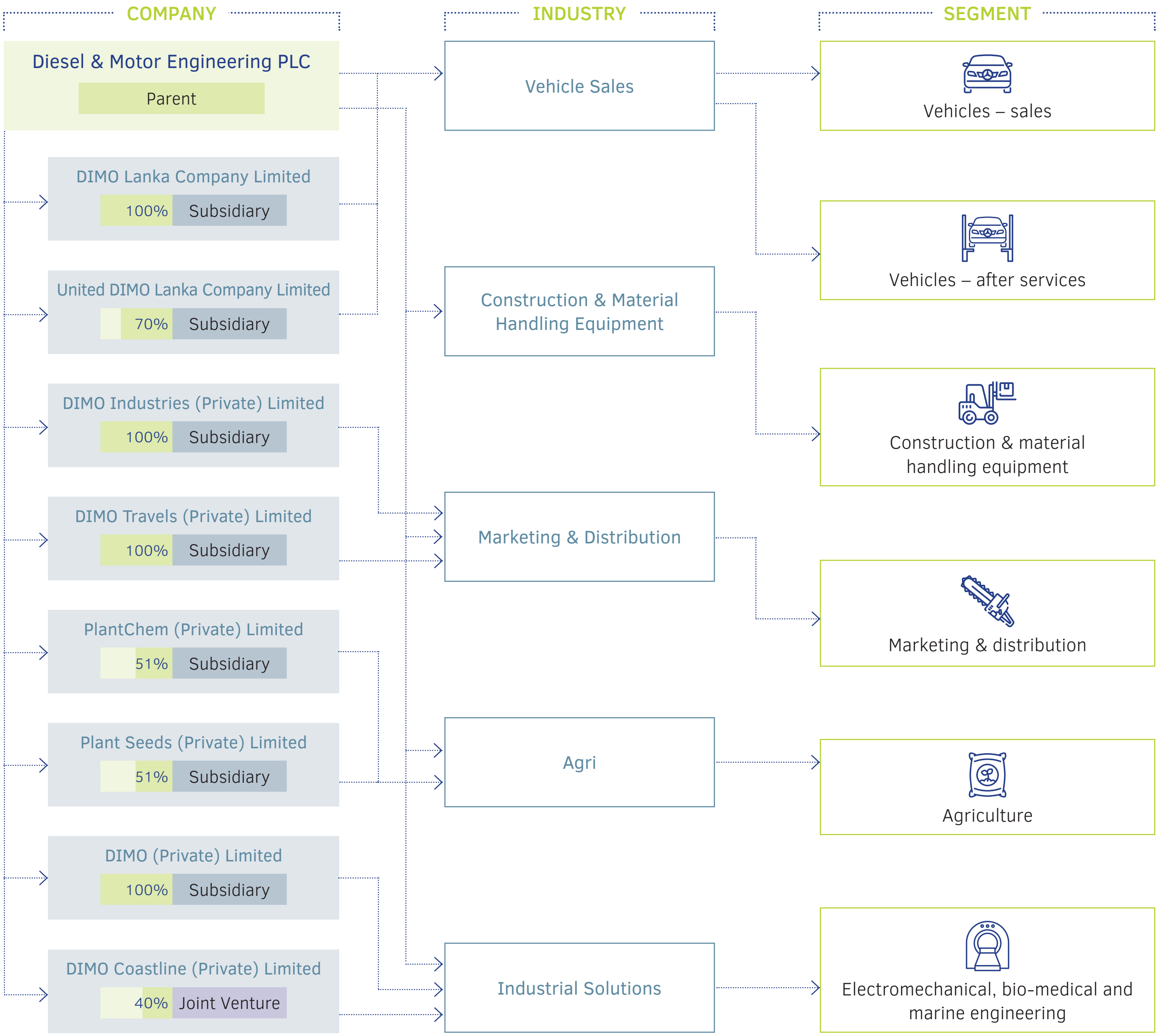
Value Creation Activity and Description

SOURCING	Evaluation of requirements, identification of suppliers and inward carriage
WAREHOUSING	Unloading and storing
CUSTOMER ENGAGEMENT	Marketing, identification of customer needs, prospecting and selling
SOLUTION MAPPING	Identification of a solution for the customer need
ENGINEERING	Planning, designing and execution of engineering work
DELIVERING	Physical delivery of goods, rendering services and delivery of solutions to the customers
AFTERCARE	Addressing customers' post-delivery requirements
SUPPORT SERVICES	Provision of support services for supply chain activities

GROUP STRUCTURE

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

Figure 06: Group structure



Shareholding by the parent

Names of the Directors of subsidiaries and the joint venture is disclosed on page 20

POSITIONED FOR VALUE CREATION

NAMES OF THE DIRECTORS OF SUBSIDIARIES AND THE JOINT VENTURE

DIRECTORS OF SUBSIDIARIES IN SRI LANKA

DIMO (Private) Limited

Subsidiary incorporated in 1980
A.R. Pandithage (Chairman)
A.G. Pandithage
S.C. Algama (Managing Director)
R.H. Fernando
B.C.S.A.P. Gooneratne
P.K.W. Mahendra
S.R.W.M.C. Ranawana

DIMO Travels (Private) Limited

Subsidiary incorporated in 1975

A.R. Pandithage (Chairman)
S.C. Algama
M.V. Bandara
E.D.C. Kodituwakku

DIMO Industries (Private) Limited

Subsidiary incorporated in 1979

A.R. Pandithage (Chairman)
A.G. Pandithage
S.C. Algama
B.C.S.A.P. Gooneratne

PlantChem (Private) Limited

Subsidiary acquired in 2018

A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B Dematawa (Managing Director)
B.C.S.A.P. Gooneratne,
U. Wanigasinghe
W.P.S.A. Weerawardhana
A.G.J. Gunathilaka

Plant Seeds (Private) Limited

Subsidiary acquired in 2018

A.R. Pandithage (Chairman)
A.G. Pandithage
H.M.P.D.B Dematawa (Managing Director)
B.C.S.A.P. Gooneratne
U. Wanigasinghe
W.P.S.A. Weerawardhana
A.G.J. Gunathilaka

DIRECTORS OF SUBSIDIARIES IN MYANMAR

DIMO Lanka Company Limited

Subsidiary incorporated in 2017

A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne

United DIMO Company Limited

Subsidiary invested in 2017

A.R. Pandithage (Chairman)
A.G. Pandithage
B.C.S.A.P. Gooneratne
U.T. Zin
U.M.Z. Aung

DIRECTORS OF THE JOINT VENTURE IN MALDIVES

DIMO Coastline (Private) Ltd

Joint venture acquired in 2017

A.R. Pandithage
A.G. Pandithage
A.U. Maniku (Managing Director)
R.H. Fernando
B.C.S.A.P. Gooneratne
H.M. Fulhu
I.G.M. Haleem
S.A. Maniku

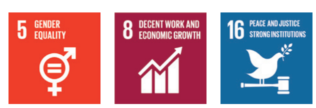
REFLECTING ON VALUE CREATED

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

AN ACCOUNT OF VALUE DELIVERED

In order to achieve our purpose "Fuel dreams and aspirations" our three-dimensional strategy should deliver three broad goals; create value to the shareholder and other stakeholders, create value to the organisation and be a responsible corporate citizen. An account of how the Group performed under each goal is presented below.

Stock of value	Value created to the organisation	Value created for shareholders and other stakeholders
Monetised resources	→ Profits retained Rs. 201 million (2018/19 – Rs. 77 million) → Year on year gross profit growth 1% (2018/19 – 2%) → Total asset turnover 1.08 times (2018/19 – 1.31 times) → ROCE 11% (2018/19 – Rs. 11%)	→ Net asset per share Rs. 1,350 (2018/19 – Rs. 1,323) → Earnings Per Share Rs. 21.97 (2018/19 – Rs. 5.78)
Relationships with customers and business partners	→ Formed new relationships with six business partners, taking the total number of foreign partnerships to 88 → Recorded over 4 million social media engagements → Over 4000 product inquiries through the corporate website	→ Average customer satisfaction index recorded at 90% (2018/19 – 87%) → Monetised value distributed to suppliers (both local and foreign) as cost of material and services was Rs. 22,979 million (2018/19 – Rs. 25,334 million)
Engaged employees	→ Employee engagement score for the year was 4.11 (2018/19 – 3.89) → 15,714 training hours were achieved through 213 training programs → 149 high potential employees were trained through 16 training programs	→ Rs. 3,357 million monetised resources distributed as employee benefits (Rs. 2,966 million) → 317 new recruitments during the year (2018/19 – 354)
Intellectual resources	→ DIMO was recognised as a Great Place to Work for the 7th consecutive year by the Great Place to Work Institute → DIMO was recognised as a 'Healthiest Workplace' in the large organisation category by the AIA Vitality Study → Being recognised as the overall runners-up in ACCA Sustainability Reporting Awards 2019	→ Improved systems, processes and brand reputation generate positive impacts to the customer experience, employee working conditions and shareholder value creation
Inputs that are scarce or manufactured using scarce natural resources	→ State of the art water recycling plants contributed 8,616 m^3 of water to the annual consumption (2018/19 – 9,556 m^3) → Rainwater harvesting systems supplied 1,732 m^3 of water to the annual consumption (2018/19 – 888 m^3) → Installed solar panels in Weliweriya, DIMO 800 and Siyabalape premises with an electricity generation capacity of 1,744 KW annually	Our products help preserve natural resources and facilitate sustainable development: → Energy efficient lighting solutions → Partnered with Vestas, a world leader in renewable energy to carry out the Country's largest wind power project; 100 MW semi dispatchable wind farm → Electric vehicles

Being a responsible corporate citizen	Contribution to sustainable development goals (SDGs)
→ Total monetised value created Rs. 11,738 million (2018/19 – Rs. 13,136 million) → Tax and tariff paid to the government Rs. 6,510 million (2018/19 – Rs. 8,105 million) → Rs. 74 million voluntary investments in sustainable development (2018/19 – Rs. 89 million)	Monetised value created help economic growth, responsible consumption and voluntary investments in sustainable development seek social and environmental sustainability 
Our ISO 9001:2015 accredited Quality Management System ensured that we: → Complied with all customer safety standards and conducted business according to the Group code of business → Adhered to ethical marketing practices	Our Products and services help customers to contribute to below SDGs 
→ Our labour practices are SA 8000: 2014 accredited, which assures that we avoid the use of child labour and forced labour, maintain best practices related to health and safety of workers, freedom of association, eliminating discrimination, disciplinary practices, working hours and remuneration → No incompliances reported in terms of applicable labour regulations	Our labour practices are ethical and accredited by SA 8000. This helps to create a peaceful institution with no corruption and a decent working environment 
→ Our state-of-the-art technology, systems and processes increase the efficient use of energy, water and other material and thereby help the company to preserve scarce natural resources → The governance structure of the Group ensures that we comply with all applicable rules and regulations	Our processes facilitate making DIMO an institution that is peaceful while ensuring responsible consumption of resources 
→ DIMO maintains an ISO 14001:2015 accredited environmental management system → Carbon emission per one million revenue is 0.19 tCo_2e (2018/19 – 0.21 tCo_2e) → Waste segregated and handed over to selected third parties for recycling/reuse is 555,312 kg (2017/18 – 518,016 Kg) → Wastewater treatment plants are used at workshops to treat wastewater before releasing to municipal drainages	Our responsible actions towards scarce resources ensure environmental sustainability 

REFLECTING ON THE BUSINESS SEGMENTS

VEHICLE SALES

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

Key Focus area for 2020/21

- Increase responsiveness of cost structure to respond to volatile government regulations on vehicle imports.
- Remodel value creation through this segment exploring options available.
- Increase reach and visibility of the luxury vehicle segment.

The spill-over effects of the Easter Sunday attacks, the general slowdown in economic activity and the safety and emission standards introduced in 2018 which became effective in 2019, led to a 45% reduction in vehicle imports to the country (excluding Quadricycles and Motor homes). The shrinking market size resulted in a 32% reduction in segment revenue.

PERFORMANCE HIGHLIGHTS

KPI	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue (Rs. million)	13,783	20,318	26,497	29,570	27,283
Contribution to the Group's revenue (%)	40	53	61	67	61
Segment results (Rs. million)	659	968	1,365	1,748	1,946
Contribution to the Group's segment results (%)	22	31	42	54	62
Customer Satisfaction Index (%)	91	91	90	87	88
Number of employees	207	275	299	349	324
Carbon emission (tCO_2e) to generate one-million-rupee turnover	0.11	0.09	0.08	0.09	0.09
Water consumption (m^3) to generate one-million-rupee turnover	1.31	1.36	0.91	0.76	0.72
Energy consumption (GJ) to generate one-million-rupee turnover	1.19	0.98	0.76	0.81	0.88

SEGMENT REVENUE
Rs. 13,783 Mn
In 2018/19: Rs. 20,318 Mn

SEGMENT RESULT
Rs. 659 Mn
In 2018/19: Rs. 968 Mn

CUSTOMER SATISFACTION INDEX
91%
In 2018/19: 91%

VEHICLE - AFTER SERVICES

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

Key Focus area for 2020/21

- Increase market share.
- Aggressive marketing campaigns to capitalise on increasing aftercare needs resulting from the increased use of old vehicles, due to the import restrictions on new vehicles.
- Increase work bay utilisation and service times of vehicle workshops.

Security precautions and a gloomy decline to the tourism sector due to the Easter Sunday attacks negatively affected the country's transportation sector, resulting in only 1.4% growth compared to 2.1% growth recorded in 2018. However, aggressive marketing efforts and the increase in productivity enabled a stable performance with 10% increase in revenue of the segment.

PERFORMANCE HIGHLIGHTS

KPI	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue (Rs. million)	4,648	4,245	3,883	3,502	2,879
Contribution to the Group's revenue (%)	13	11	9	8	6
Segment results (Rs. million)	867	806	724	723	492
Contribution to the Group's segment results (%)	30	26	23	22	16
Customer Satisfaction Index (%)	87	85	88	88	85
Number of employees	603	642	624	599	556
Carbon emission (tCO_2e) to generate one-million-rupee turnover	0.39	0.50	0.55	0.62	0.56
Water consumption (m^3) to generate one-million-rupee turnover	11.00	13.93	12.67	12.66	12.21
Energy consumption (GJ) to generate one-million-rupee turnover	3.58	4.45	5.18	5.34	5.12

SEGMENT REVENUE
Rs. 4,648 Mn
In 2018/19: Rs. 4,245 Mn

SEGMENT RESULT
Rs. 867 Mn
In 2018/19: Rs. 806 Mn

CUSTOMER SATISFACTION INDEX
87%
In 2018/19: 85%

REFLECTING ON THE BUSINESS SEGMENTS

MARKETING AND DISTRIBUTION

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

Key Focus area for 2020/21

- Stimulate revenue by transforming into e-commerce platforms and emerging channels.
- Revamp the distribution model to increase market reach and to optimise debtor collection period.
- Focus on local value addition to reduce dependency on imports.

Despite the downturn in economic activities resulting from the Easter Sunday attacks in April 2019, the segment was able to record a 15% increase in revenue compared to last year. A good performance in commercial tyres, lighting and power tools operations contributed to the improved segment result.

PERFORMANCE HIGHLIGHTS

KPI	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue (Rs. million)	5,077	4,406	4,716	4,314	3,861
Contribution to the Group's revenue (%)	15	12	11	10	10
Segment results (Rs. million)	486	379	407	167	259
Contribution to the Group's segment results (%)	16	12	13	5	8
Customer Satisfaction Index (%)	87	84	74	90	86
Number of employees	247	235	212	222	237
Carbon emission (tCO_2e) to generate one-million-rupee turnover	0.18	0.33	0.23	0.32	0.24
Water consumption (m^3) to generate one-million-rupee turnover	0.92	0.97	0.70	1.99	1.13
Energy consumption (GJ) to generate one-million-rupee turnover	2.05	2.63	2.48	3.13	2.69

SEGMENT REVENUE

Rs. 5,077 Mn

In 2018/19: Rs. 4,406 Mn

SEGMENT RESULT

Rs. 486 Mn

In 2018/19: Rs. 379 Mn

CUSTOMER SATISFACTION INDEX

87%

In 2018/19: 84%

CONSTRUCTION AND MATERIAL HANDLING EQUIPMENT

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

Key Focus area for 2020/21

- Expand business into countries outside Sri Lanka.
- Develop rental solutions.
- Management of debt collection to be more efficient.
- Offer complete solutions for automated and integrated storage handling requirements.

A 5.9% decline recorded in the country's investment expenditure during the year compared to a growth of 3.8% in 2018, and the adverse economic conditions that prevailed due to the Easter Sunday attacks caused the segment a 19% reduction in revenue and a 5% reduction in segment results. The sale and service of construction and mining machinery contributed to more than 80% of the segment's results.

PERFORMANCE HIGHLIGHTS

KPI	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue (Rs. million)	1,607	1,984	2,671	2,581	1,559
Contribution to the Group's revenue (%)	5	5	6	6	4
Segment results (Rs. million)	250	263	335	206	170
Contribution to the Group's segment results (%)	9	9	10	10	5
Customer Satisfaction Index (%)	91	91	92	88	90
Number of employees	90	102	95	97	106
Carbon emission (tCO_2e) to generate one-million-rupee turnover	0.29	0.25	0.18	0.19	0.26
Water consumption (m^3) to generate one-million-rupee turnover	3.49	3.49	2.47	4.48	6.03
Energy consumption (GJ) to generate one-million-rupee turnover	2.92	5.52	4.38	2.27	2.88

SEGMENT REVENUE

Rs. 1,607 Mn

In 2018/19: Rs. 1,984 Mn

SEGMENT RESULT

Rs. 250 Mn

In 2018/19: Rs. 263 Mn

CUSTOMER SATISFACTION INDEX

91%

In 2018/19: 91%

REFLECTING ON THE BUSINESS SEGMENTS

AGRICULTURE

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

Key Focus area for 2020/21

- Developing the product mix to reduce dependency on popular products.
- Continue R&D in high tech farming techniques.
- Strengthen the non-subsidy fertiliser range.
- Introduce small farm mechanization solutions.

A slow growth of 0.6% in the country's agriculture sector in 2019 compared to the 6.5% growth in 2018, together with a slowdown in the tourism sector, caused a 15% reduction in segment revenue and a 60% reduction in segment results. The Group's agriculture segment's fortunes are connected to the tourism industry, since the tourism sector is a major consumer of some agricultural outputs that depend on agricultural inputs supplied by the Group.

PERFORMANCE HIGHLIGHTS

KPI	2019/20	2018/19	2017/18	2016/17
Revenue (Rs. million)	3,532	4,153	3,316	1,805
Contribution to the Group's revenue (%)	10	11	8	4
Segment results (Rs. million)	124	307	121	201
Contribution to the Group's segment results (%)	4	10	4	6
Customer Satisfaction Index (%)	85	84	83	89
Number of employees	232	241	220	54
Carbon emission (tCO_2e) to generate one-million-rupee turnover	0.18	0.25	0.20	0.15
Water consumption (m^3) to generate one-million-rupee turnover	0.44	1.53	1.42	0.09
Energy consumption (GJ) to generate one-million-rupee turnover	1.58	3.45	2.31	2.00

SEGMENT REVENUE

Rs. 3,532 Mn

In 2018/19: Rs. 4,153 Mn

SEGMENT RESULT

Rs. 124 Mn

In 2018/19: Rs. 307 Mn

CUSTOMER SATISFACTION INDEX

85%

In 2018/19: 84%

ELECTROMECHANICAL, BIO-MEDICAL AND MARINE ENGINEERING

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

Key Focus area for 2020/21

- Focus on energy efficient solutions and generation of renewable energy.
- Seek joint venture partnerships with foreign ventures to enter foreign markets.
- Seek expansion options in medical/healthcare operations.

The rebound of construction activities and the activation of large-scale power projects, including the supply and installation work of part of the 100 MW semi dispatchable wind farm in Mannar undertaken in the financial year 2018/19, facilitated a 85% increase in revenue and a 49% increase in segment results. Power solutions and medical equipment operations contributed to nearly 80% of the segment results.

PERFORMANCE HIGHLIGHTS

KPI	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue (Rs. million)	**5,911**	3,196	2,603	2,721	2,168
Contribution to the Group's revenue (%)	**17**	8	6	6	6
Segment results (Rs. million)	**546**	366	261	200	278
Contribution to the Group's segment results (%)	**19**	12	8	6	9
Customer Satisfaction Index (%)	**98**	98	94	97	92
Number of employees	**287**	240	180	178	144
Carbon emission (tCO_2e) to generate one-million-rupee turnover	**0.10**	0.18	0.17	0.15	0.21
Water consumption (m^3) to generate one-million-rupee turnover	**0.41**	1.78	1.91	5.32	4.55
Energy consumption (GJ) to generate one-million-rupee turnover	**1.09**	2.00	1.94	1.82	2.18

SEGMENT REVENUE

Rs. 5,911 Mn

In 2018/19: Rs. 3,196 Mn

SEGMENT RESULT

Rs. 546 Mn

In 2018/19: Rs. 366 Mn

CUSTOMER SATISFACTION INDEX

98%

In 2018/19: 98%

OVERVIEW OF THE OPERATING CONTEXT

Indicator	Measure	Impact to DIMO
GDP growth rate	The Sri Lankan economy recorded a growth of 2.3% in real terms for the year 2019, compared to the growth of 3.3% in 2018.	A lower GDP growth rate leads to decline in business sentiment, while negatively impacting the performance of the Group, especially in sales of equipment of capital nature.
Interest rates	The weekly Average Weighted Prime Lending Rate (AWPR) decreased to 9.24% as at the end of March 2020 compared to 12.23% in the preceding year.	Interest rates impact DIMO in two ways. Reduced borrowing cost may increase the demand for motor vehicles and other capital equipment that we sell. Secondly, it has a direct bearing on the Group's cost of funding.
Inflation rate	Annual average inflation as measured by the National Consumer Price Index (NCPI) was 4.9% compared to 1.7% recorded in previous year.	Higher inflation could discourage consumer spending especially on non-essential goods. A majority of the Group products fall into the non-essential category.
Depreciation of Rupee	The Rupee depreciated against the US Dollar to Rs. 185.06 as at the end of March 2020 compared to Rs. 178.43 in the previous year. The Euro was Rs. 204.68 as at the end of March 2020 compared to Rs. 201.68 in the preceding year.	The depreciation of the Rupee against the USD and Euro has a material impact on Group transactions denominated in these currencies. It increases the price of the products imported and thereby negatively affects the demand for our products and solutions.
New motor vehicle registrations	The registration of vehicles, excluding three wheelers, Quadricycles and Motor homes decreased by 45% from 120,317 vehicles to 66,193 vehicles during the year.	The number of new motor vehicles registered is an indicator of the market size and the potential for the Vehicle sales segment.
Transportation sector growth	The Transportation Sector grew by 1.4% in 2019, albeit at a slower rate, compared to 2.1% growth in 2018.	Transportation sector growth has a direct impact on the Vehicle sales, Vehicle - After service and Marketing and Distribution segments.
Construction sector growth	Construction related activities rebounded during the year, growing by 4% compared to a contraction of 2.5% in 2018. The growth in 2019 was mainly due to the accelerated completion of large-scale construction projects.	The growth in this sector is an indicator of the market potential for Construction & Material Handling related Businesses and demand for commercial vehicles.
Health sector capital expenditure	Total government investment in Health sector capital expenditure decreased to Rs. 32.7 billion in 2019 from Rs. 37.9 billion in 2018.	Capital expenditure of the Government in the health sector is a key indicator of increasing demand for medical equipment.
Industrial sector growth	The industrial sector performance improved marginally growing by 2.7% in 2019 compared to a growth of 1.2% in 2018.	The Industrial sector comprises of activities relating to mining, manufacturing, utility and construction industries. Industrial sector growth thus affects the demand for capital nature products and solutions offered by DIMO.
Water and electricity	Total electricity generation increased by 3.3% to 15,879 GWh in 2019 compared to 15,255 GWh in 2018. During 2019, the National Water Supply and Drainage Board (NWS&DB) provided 108,850 new water supply connections reaching 2.4 million total connections by end 2019.	Government investment in water and electricity has an impact on the fortunes of the Power Engineering and Fluid Management businesses.
Agricultural sector growth	The Agriculture sector recoded a modest growth of 0.6% in 2019 compared to a growth of 6.5% in 2018, reflecting the impact of extreme weather conditions observed during most months of 2019.	The growth in this sector impacts the performance of agriculture related activities.

GEARING FOR FUTURE VALUE CREATION

This section provides information that will help the reader to assess how well we are geared to create value in long term.

MANAGING MONETISED RESOURCES TO STIMULATE GROWTH

Monetised resources are those that are stated in monetary terms in the Financial Statements. They largely influence our ability to acquire other forms of resources and the competitiveness of the value proposition we offer. Securing and carefully nurturing monetised resources is of paramount importance to sustain and grow the business.

CASH GENERATION AND LIQUIDITY MANAGEMENT TAKE PRIORITY

Managing the flow of funds is imperative to ensure the efficient utilisation of resources, liquidity and solvency. Especially with the onset of COVID-19 pandemic and the consequent uncertainty due to business and movement restrictions, extra efforts are vital to manage the sources and uses of funds.

Maintaining a healthy current ratio and a quick asset ratio is vital for adequate liquidity. As depicted in Graph 02, the Group has been maintaining its current ratio above 1.2 times over the last five years. The graph further indicates the gradual increase in quick asset ratio over five years from 0.56 times in 2015/16 to 0.72 times in 2019/20, reflecting the Group's efforts to increase liquidity of current assets by strengthening demand planing so that we can carry lower inventory.

Average cash cycle for the Group stood at 162 days for year 2019/20 (2018/19 – 139 days), with 110 days inventory outstanding, debtors collection period of 82 days and creditor settlement period of 30 days. The increase of 23 days in cash cycle is mainly due to the increase in trade receivables. The longer debtor collection period is mainly due to extended credit terms given to industrial customers of the electromechanical, bio-medical and marine engineering segment for large scale industrial projects, and increased debtor aging of dealers in the Marketing and Distribution segments. The Group is closely monitoring the level of debtor collection. Working capital during the cash conversion cycle is funded through banking facilities from nine banks; these arrangements had Rs. 7,808 million unutilised as at 31st March 2020.

Uncertainty in demand and supply due to the COVID-19 pandemic could bring negative impacts to the level of liquidity and the cash conversion cycle of the Group, in the short term. During the responding phase for the COVID-19 crisis, the Group took several measures to increase liquidity including curtailing specific discretionary expenses without compromising operations, securing additional funding to finance adverse impact to the cash flow, and management of revenue, credit and collections. These measures are expected to secure liquidity to ensure successful navigation through the recovery phase in the post-crisis period.

Cash and cash equivalents in hand and at bank as at 31st March 2020 was Rs. 838 million, a 276% increase from Rs. 223 million last year, reflecting the immediate actions taken by the Group to secure funds to face the negative impacts from COVID-19. Available excess cash is managed by the Group's treasury function to ensure the effective use of such funds.

IMPROVING EFFICIENT USE OF ASSETS WHILE OPTIMISING COST

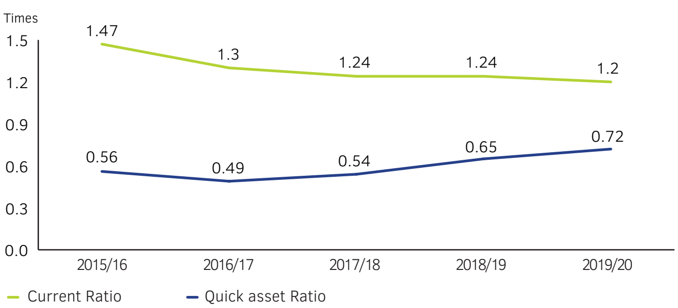
Cost optimisation has always been a management priority. The group experienced slow revenue growth during the last five years mainly due to the volatility in government regulations on vehicle imports and slow national GDP growth. This trend demands that extra attention be paid to increasing the flexibility of cost structures, the effective utilisation of assets and improving productivity.

With a new identity and brand repositioning, the Group has now strengthened its focus on mobilising investments made in Property Plant and Equipment (PPE), thereby increasing the asset turnover ratio of the Group/ Company. Out of a total Rs. 11,507 million investment in PPE as at 31st March 2020, investments in the branch network amounted to Rs. 6,283 million. The branch network is currently utilised mainly for vehicle sales and after services. The Group is now focusing on increasing the mobility of the investments made in the branch network to strengthen the availability of other products, whilst increasing the Group's ability to yield returns through its already invested fixed assets.

Improving the flexibility of the cost structure of the company is another key focus area in the short to medium term. The volatility in economic policies and activity witnessed during the last two

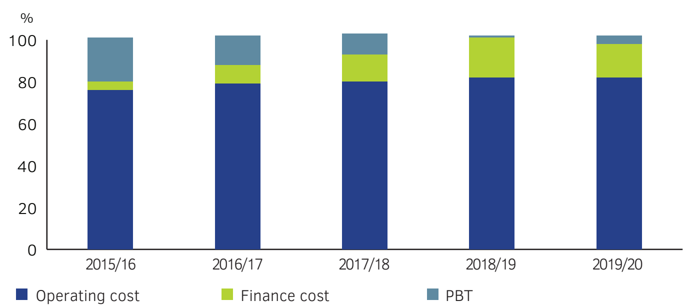
Graph 02:

Liquidity ratios



Graph 03:

Cost as a percentage of gross profit



years forced the company to maintain higher levels of stock and higher receivables, which resulted in increased finance cost, and collective impairments for receivables. As depicted in Graph 03, the Group's operating cost which includes staff and administration expenses, accounts for more than 80% of the Group's gross profit; improving this ratio is imperative for profitability growth. Business process re-engineering, integrating technology to improve process effectiveness and aggressive budgetary controls are some of the key tools being used to put this requirement in to practice.

STIMULATING REVENUE GENERATION IN THE POST COVID-19 PANDEMIC ECONOMY

The disruption to economic activities due to the COVID-19 pandemic has reduced our ability to generate revenue in the short term. Uncertainty pertaining to shifts in customer expectations, volatile lead times in supplies and mobility restrictions contribute to the adversities and these necessitate the Group to have solid plans to stimulate revenue generation and drive value creation. Strengthening health and safety measures, transforming sales of goods and services onto online platforms and the introduction of mobile service packages are some of the ongoing initiatives to stimulate sales. Moreover, scenario planning is also being conducted to enhance the responsiveness of the supply chain.

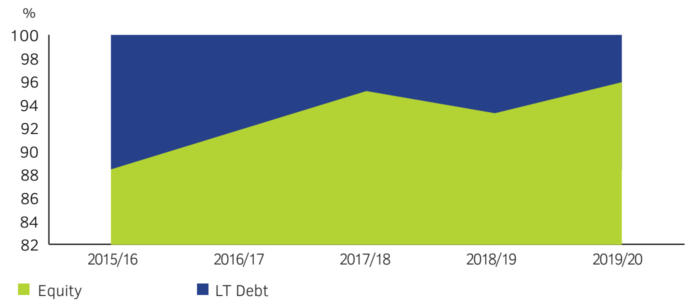
A CAPITAL STRUCTURE TO FACILITATE THE DIVERSIFICATION STRATEGY

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

It is mandatory that the Group maintains a capital structure that enables cost effective funding for new investments and acquisitions. As depicted in Graph 04, the Group has been reducing its gearing, reaching 4% as at 31st March 2020. This affords the company the flexibility to borrow to fund its capital investments. Over Rs. 10,794 million short term borrowings of the Group, obtained to facilitate working capital, are outstanding as at 31st March 2020 (2018/19 – 9,290 million).

Graph 04:

Capital structure



A RESPONSIBLE TAXPAYER

The tax we pay is important to the economic and social development of the country therefore we have a responsibility to comply fully with the relevant regulations. Our total income tax expense for the year is Rs. 78 million (2018/29 – Rs. 27 million); this increase is due to the 168% increase in profit before tax, compared to last year. The effective tax rate (including the effect of the deferred tax expense) increased to 28% from a rate of 26% previous year. The reconciliation between accounting profit and taxable income is available in Note 4.6.1 to the Financial Statements. A summarised computation of deferred tax is provided in Note 4.24 to the Financial Statements.

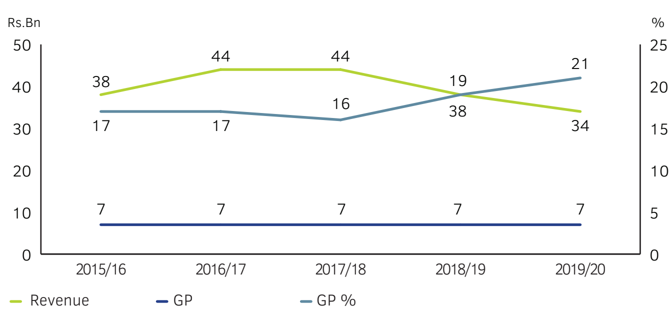
CREATE VALUE TO SHAREHOLDERS

Our efforts to maximise financial performance reflect our commitment to delivering long-term value to shareholders. Improving net asset per share and distributing attractive dividends to shareholders are key parts of this mandate. As depicted in Graph 06, over the past five years we have increased our net asset per share from Rs. 1,125 in 2015/16 to Rs. 1,350 as at 31st March 2020. Our dividend policy seeks maximum shareholder return while retaining adequate earnings for investments, further ensuring that we generate the maximum shareholder returns.

However, due to uncertainties prevailing in the economy, the Board did not consider payment of a dividend for the year 2019/20.

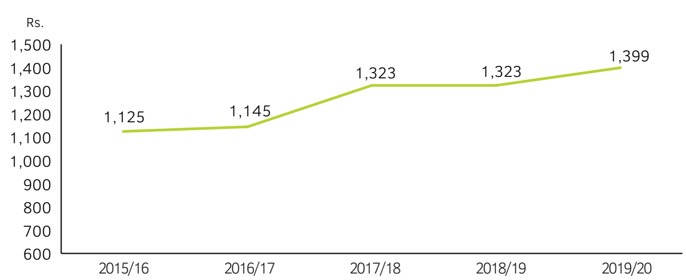
Graph 05:

Revenue, gross profit and gross profit margin



Graph 06:

Net assets per share



BUILDING EFFECTIVE AND STRONG TEAMS: A CONVERSATION WITH THE CHRO

An engaged and aligned employee is able to nurture our customers and other stakeholders and take ownership of our purpose "Fuelling Dreams and Aspirations". The level of engagement of our employees plays an important role in fulfilling our purpose.

"We encourage our employees to be well-rounded individuals. We believe in work life balance and MAKING WORK ENJOYABLE & REWARDING"

Dilrukshi Kurukulasuriya
Chief Human Resources Officer

WHAT IS UNIQUE ABOUT DIMO AS AN EMPLOYER? HOW DO YOU ENSURE GOOD TALENT IS ATTRACTED TO DIMO?

Our Employee Value Proposition (EVP) is "making work enjoyable and rewarding", and we channel all our efforts towards making this EVP a reality. We have segmented our overall EVP and offer specific segmented value propositions for different employee categories including challenging work, training & development, international exposure, exposure to the top management, a safe work environment and working with like-minded staff. However, there are two important common threads that run across the organisation, which are how each employee is connected to the big picture and the freedom extended to staff to deliver expected results.

The alignment between our EVP and the experience received by the employees together with a fair and equitable culture, has created a unique employer brand for DIMO, which helps us attract good talent to the organization.

Inside DIMO

GREAT PLACE TO WORK®

DIMO was named one of the best places to work in Sri Lanka for seven consecutive years by the Great Place to Work Institute, Sri Lanka.

WHAT IS DIMO'S APPROACH TO DEVELOP AND ENGAGE EMPLOYEES?

Employee experience is vital for employee engagement. That's why we create a pleasant employee experience throughout the employee life cycle from on-boarding a recruit to his/her exit from the organisation. We have several unique practices that employees continuously appreciate, and we keep improving them.

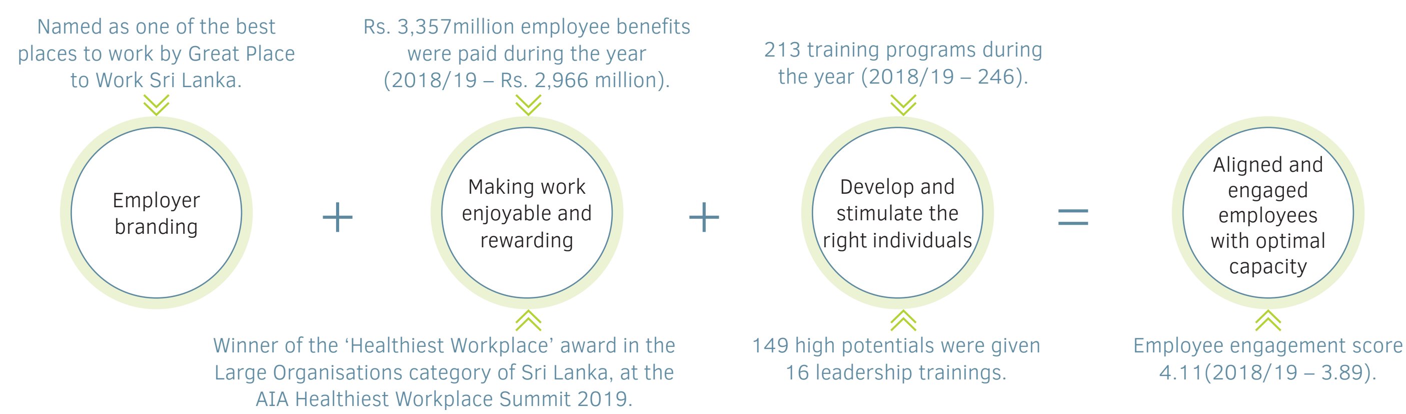
Development takes place in two spheres - horizontal development and vertical development. Horizontal development builds the expertise of employees, whereas vertical development focuses on building leadership. DIMO has a greater focus on vertical development as it increases bench strength and grows the leadership pipeline. Where leadership development is concerned, we invest in employees with high potential. Coaching, mentoring, simulations and job assignments among other methods are made part of the development journey for selected high potential employees.

This year we have achieved an engagement score of 4.11 compared to 3.89 recorded in last year. The areas improved included teamwork, manager support and growth; where we employed extra effort based on employee responses last year.

Table 02: Statement of employee composition as at;

	31st March 2020	31st March 2019
Number of employees (No.)	1,916	1,961
Employees in management levels (%)	21	21
Employees with over 5 years' experience (%)	49	48
Female employees (%)	11	10
Employees aged below 40 (%)	74	76

Figure 07: Human capital development at DIMO



DIMO STRONGLY PURSUES DIVERSITY, INCLUSION AND BEING A GENDER SMART ORGANISATION. HOW DO YOU PUT THIS MANDATE INTO PRACTICE?

We believe in the premise that a diverse workforce is more productive and delivers better results. This is our business case for diversity. All our meritocracy driven HR processes try to eliminate individual biases and focus on the objective. The top management is appointed as patrons and advisors to our Resource Group, which we launched in November 2018 to gender sensitise the organization.

Going beyond, we have also partnered with the IFC's "She works" programme to drive the "Together We Can" campaign, along with 17 other Sri Lankan companies. Individually we focus on two main objectives - attracting female talent for unconventional jobs, and developing females for leadership positions, both of which we have aggressively pursued.

At present, females represent 10% of engineers and auto engineering related staff at DIMO. Although only 11% of our employees are female, 25% of middle management positions are held by females. This has to improve further.

DIMO UNDERTOOK A BRAND REPOSITIONING IN YEAR 2019 WITH A MODIFIED PURPOSE AND VALUES. THESE VALUES REFLECT HOW EMPLOYEES SHOULD CONDUCT THEMSELVES TO LIVE UP TO THE BRAND PROMISE. HOW DID YOU INTERNALISE SUCH A CHANGE OF BEHAVIOUR?

Stakeholders perceive a brand through the consistent behaviour of its employees. In order to internalise the new brand identity by aligning employees with the brand promise, we introduced 5 Standards of Leadership. These standards are linked to our corporate values being integrity, people centricity, excellence, customer delight and accountability.

We ensured the all employees are aware of the new brand promise, understand the values and the standards of leadership and behave accordingly. The many initiatives included training programs, emails showcasing what positive and negative behaviours are, constant reminders about the Values at each monthly employee council meeting, a point system for employees who demonstrate exceptional standards of leadership and an online portal where employees could pose their questions. Most importantly, standards of leadership will be taken into consideration when an employee's potential is assessed for leadership development.

HOW DID THE COVID-19 PANDEMIC AFFECT THE QUALITY OF DIMO'S HUMAN CAPITAL? HOW DID THE COMPANY MANAGE SUCH AN IMPACT?

During an uncertain time, many factors can contribute to the quality of the human capital. Chief among these would be an employee's health, engagement, competency and availability.

With the disruptive situation and resultant movement restrictions, it was important to ensure our employees stayed safe and had access to essential food items and hygiene. By paying salaries well in advance, we made sure that they would be comfortable and have access to essential goods. We further reached out to all of our employees through a call tree mechanism to ensure that they were all safe and had access to essential items.

However, due to constraints resulting from restricted operations, the Group took a collaborative decision to enforce a temporary pay cut, which was well received by employees. Their support for the decision truly reflects their level of alignment to our overall objectives.

Our constant communication regarding COVID-19 and preventive measures kept our employees up to date with preventive mechanisms. Company medical staff were available 24/7 to help employees with queries related to COVID-19 and the relevant government regulations. An emergency task force headed by the CEO was appointed to ensure the health and safety of employees. Every employee was educated on health and safety guidelines and required PPE was made available before the resumption of work.

Organised remote working infrastructures ensured that people were connected and essential operations continued smoothly whilst employee engagement activities were carried out on social media. During the curfew period, we carried out online assessments for employee development needs and achieved 3,400 training hours by organising many online competency-building programmes to upskill our workforce. Activities such as an online Avurudhu Uthsavaya and social media communications kept our employees engaged with the company during this time. We expect to maintain this momentum in years to come.

HOW CONFIDENT ARE YOU OF THE DIMO TRIBE'S COMPETENCY TO DELIVER VALUE IN THE LONG TERM?

I don't believe that any organisation will have all the competencies needed in-house. We will constantly have to acquire people with rare competencies from the market because the competencies required to deliver value today will be very different to the competencies that will be required in the future.

In order to understand the competency requirements, make correct choices and align the workforce, it is vital that we have competent leaders. A strong employer brand is a prerequisite to attract talent as and when required. I am happy to state that DIMO is well equipped with these two ingredients which will ensure our human capital remains competent and relevant to successfully drive future value creation.

DIFFERENTIATING FOR COMPETITIVENESS

DIFFERENTIATING DIMO

The Differentiation strategy is mainly embedded in our offering delivery and post-delivery care while overall, our corporate philosophy and values also play a significant role in differentiation. We strive to enrich the content and delivery of what we offer at every step along the value chain. We do so by ensuring that the supplies, human resources and processes are nurtured and developed to make the difference. While our own value addition plays a key role in differentiating the distinct value offered by DIMO, these efforts are complemented by the best in class brands that we represent.

DIMO's differentiation strategy is thus the key to attracting and maintaining relationships with well-established foreign business partners and our customers. We present an account below of how DIMO pursues this mandate, and the areas we focus on to deliver differentiation.

One of our key differentiators is DIMO's presence all over the country. This is a key competitive advantage when attracting internationally renowned principals. DIMO has to date invested Rs. 6,283 million in property plant and equipment to establish these contact points.

Technological excellence	We receive world renowned technology from our principals. The medical equipment, power solutions, construction machinery and even vehicle brands we represent offer advanced technology and provide efficient solutions. In addition, the Group is in the process of assessing an investment for an internal digital transformation.
Customer primacy	Customer primacy is mandated by DIMO's corporate values and is embedded into our systems and processes through the Quality Management System while our value chain seeks customer primacy from every aspect. We invest about 0.5% to 1% of revenue on customer engagement related activities, customer loyalty programs and to maintain a dedicated CRM unit with a 24/7 operating call centre, to further enhance customer primacy.
Dependability and aftercare	DIMO aftercare is the key source of dependability: it offers the latest technology, 586 dedicated employees and accessibility across the country through DIMO's branch and dealer networks. Our dependability is further enhanced by the tacit knowledge gathered over 80 years of business. Solid relationships with foreign principals also facilitate the smooth processing of warranty claims to increase convenience for our customers.
Market presence	One of our key differentiators is DIMO's presence all over the country. This is a key competitive advantage when attracting internationally renowned principals. DIMO has to date invested Rs. 6,283 million in property plant and equipment to establish these contact points.
Responsible behaviour	Our quality management system, environmental management system and social accountability management system ensure that we are responsible in all we do. These management systems are accredited for ISO 9001:2015, ISO 14001:2015 and SA 8000, and testify to our responsible behaviour. We are also conscious of how our suppliers and foreign principals operate. We ensure our principals have core values that complement our own and that they have a similar approach to conducting their businesses. Among many aspects are those that prescribe our expectation of ethical standards and the level of technology integrated into systems.

How is the COVID-19 pandemic affecting DIMO's ability to deliver differentiation?

With the onset of COVID-19 pandemic, global economic activities are witnessing a remarkable drop, which has negatively affected our customers and business partners. Restrictions on movements have also compelled DIMO to limit the number of employees dedicated to after care services and customer engagements.

Within this scenario, our priority is the health and safety of our employees and of other stakeholders who may come into contact with us or with our products. Therefore, we may be limited in our ability to implement differentiation at its fullest.

The Company will use this slowdown to take a fresh look at our business model to identify better ways of doing businesses and to provide win-win solutions to our customers and business partners so that together, we can bounce back to normalcy.

Inside DIMO

- DIMO has more than 80 foreign partnerships, of which eight relationships are more than 50 years old while seven foreign principals are ranked in the Fortune 500 list of 2019.
- DIMO operates 51 customer contact points, of which 29 are outside the western province.
- DIMO is one of the few companies in Sri Lanka that are SA 8000 certified. This indicates that we manage our direct and indirect social impacts responsibly.

DIMO's Digital Presence

At a time when physical presence is under challenge, our digital presence facilitated constant engagement with customers. We use our Facebook pages not only to engage with customers but also as a platform for brand advocacy and for grievance communications. Our 100% response rate and the negative sentiment policy which demand transparency about negative comments in social media have given customers the confidence to keep reaching us through this platform. During the year Group's eight active Facebook pages, saw over 4 million engagements.

On the other hand, the dynamic DIMO website drew in over 4,000 product inquiries via comprehensive, continuously updated products pages.

RESPONSIBLE VALUE CHAIN: MANAGING IMPACTS

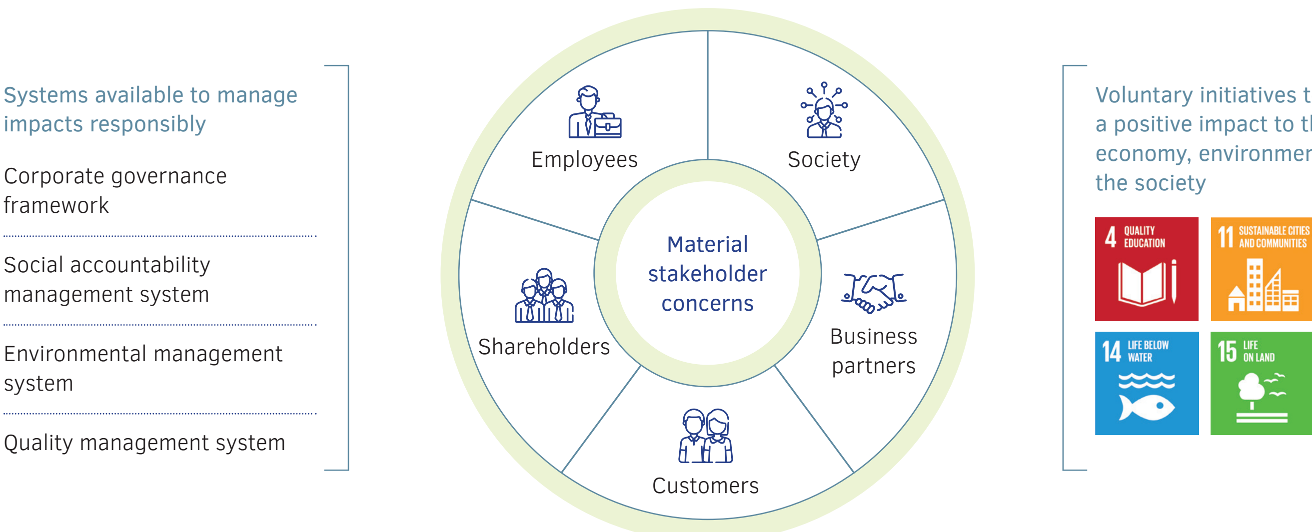
"DIMO's way" of being responsible is two fold: first, being responsible when managing the impacts of our operations on society, environment and the economy and second, getting involved voluntarily in external initiatives that promote sustainable development, subject to affordability.

Responsible value creation and contributing towards the sustainable development goals of our country are key aspects of what fuels DIMO. Responsible behaviour grants us the social licence to operate and has a positive impact on DIMO's brand equity. The element of responsibility is deep rooted in our corporate literature and culture and was intrinsic to the business philosophy of our founders. We consider it a moral obligation to efficiently manage the impacts on natural capital, which is one of our capital inputs.

'DIMO's way' of being responsible is twofold: first, being responsible when managing the impacts of our operations on society, environment and the economy and second, getting involved voluntarily in external initiatives that promote sustainable development, subject to affordability. As depicted in Figure 08, both aspects take place, while prioritising material stakeholder concerns identified through the stakeholder engagement process.

The Board of Directors has the accountability for DIMO's responsible behaviour. The Board of Directors has delegated the oversight of this important mandate to the Group's Sustainability Committee.

Figure 08: 'DIMO's Way' of responsibly managing social, economic and environment impact



MANAGING ECONOMIC IMPACT

DIMO's economic impact arises from three main aspects: monetised value creation and distribution, provision of employment opportunities across the nation, and contribution to economic development through products and services.

MANAGING SOCIAL IMPACT

The SA 8000 accredited social accountability system and the ISO 9001:2015 accredited quality management system facilitate the responsible management of social impact.

COMPLIANCE WITH RULES AND REGULATIONS

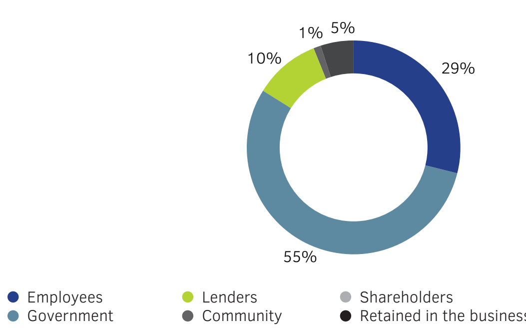
Complying with all mandatory rules and regulations is a priority in the governance agenda, as depicted in page 41 of the governance report. No non-compliances were recorded during the year.

MONETISED VALUE CREATION

Rs. 11,738 Mn In 2018/19: Rs. 13,136 Mn

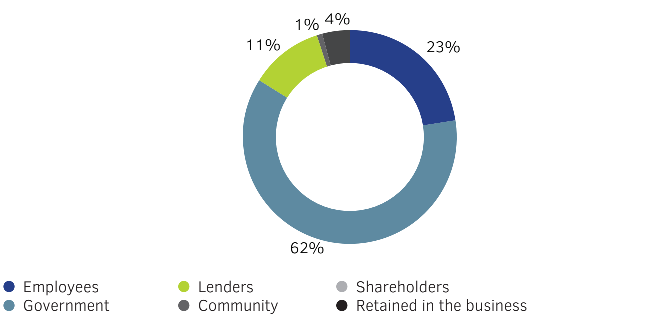
Graph 07:

Monetised value distribution (2019/20)



Graph 08:

Monetised value distribution (2018/19)



ETHICAL BUSINESS CONDUCT

How we conduct our business can influence the communities around us. DIMO's Code of Business Ethics encapsulates our approach to business conduct while our employees abide by our public policy guide in their day to day interactions with stakeholders. For example, the Code specifies that DIMO cannot make any political donation or attempt to influence any public body. The Code also focuses on issues of corruption and unfair competition. Each employee who joins the DIMO tribe is made aware of the obligations enshrined in the Code of Business Ethics during his/her orientation.

ETHICAL LABOUR PRACTICES

Our 1,916 employees are treated with dignity and equality. Our labour practices are designed to uphold ethics and responsibility and are SA 8000:2014 accredited.

PRODUCT STEWARDSHIP

Our approach to product responsibility is embedded in the ISO accredited quality management system; it consists of factors such as ethical marketing, product labelling, product safety and responsible aftercare. During the year, there were no instances of non-compliance reported relating to these aspects.

Inside DIMO

DIMO employs a SA 8000 accredited Social Accountability Management System This is an assurance that we avoid the use of child labour and forced labour and that we maintain best practices related to health and safety of workers, freedom of association, eliminating discrimination, disciplinary practices, working hours and remuneration.

RESPONSIBLE BEHAVIOUR OF SUPPLIERS

A responsible value chain demands responsible suppliers. The ethical standards we expect of suppliers are enshrined in the DIMO Supplier Code. These include labour practices and health and safety commitments. All partners are required to reaffirm their commitment to these standards and must take action to also disseminate these through their own supply chain. As of 31st March 2020, 301 suppliers pledged to adhere to DIMO's subcontractor work permit scheme which requires them to adhere to DIMO's comprehensive health and safety measures when conducting work within DIMO's premises.

MANAGING ENVIRONMENTAL IMPACT

DIMO ISO 14001:2015 certified environmental management system facilitates the responsible management of environmental impact.

CLIMATE CHANGE ACTIONS

DIMO acknowledges that climate change and global warming are the most challenging environmental issues of the 21st century. That's why DIMO is committed to a Cleaner and a greener planet by doing our part to manage Greenhouse Gases (GHG) emissions arising from our activities within and beyond the business boundary while managing our energy consumption efficiently. In this spirit we shall practice the following;

DIMO's climate change actions

- Reducing our energy consumption: the Diesel Centre and DIMO 800 are LEED Gold certified Green Buildings which require 25% less energy needs than a traditional building.
- Ensuring that all our products including vehicles are equipped with the latest technology for energy efficiency and lower carbon emission.
- Maintaining air conditioning at 24° C.
- Programming all computers to revert to standby mode after a five-minute idling period.
- Using LED technology for lighting.
- Inculcating a culture of 'switching off' when not in use.
- Planning all future buildings to exploit natural light.
- Monitoring our carbon footprint using the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (revised edition).
- Ensuring that emissions generated by our business activities fall within the regulatory frameworks and limits. An independent party authorised by the Central Environmental Authority (CEA) measures our emission levels annually.

WATER CONSUMPTION AND DISPOSAL

DIMO makes every effort to minimise the use of water by using lower volumes and recycling wherever possible. The rainwater harvesting system located at DIMO Logistics Centre – Weliweriya is a key component of DIMO's water management agenda as it reduces the water the Group withdraws from publicly shared sources. During the year 1,732 m^3 (888 m^3 in FY 2018/19) of rainwater was collected and utilised for operations.

RESPONSIBLE VALUE CHAIN: MANAGING IMPACTS

All of DIMO's main workshops now operate state-of-the-art water treatment and recycling plants and the Group thus recycled about 19% (2018/19 – 16%) of the total water used during the year.

Wastewater generated at our workshops is treated and monitored daily to ascertain compliance with legally imposed pH levels. Random samples of recycled water are collected by a CEA-approved third party to monitor pH value and Chemical Oxygen Demand (COD).

Inside DIMO

- DIMO has entered into a contract with VESTAS, a global partner for sustainable energy solutions, to install a 104 MW Wind Power Project in Mannar—the country's largest such project.
- Installed solar panels in Weliweriya, DIMO 800 and Siyabalape premises with an electricity generation capacity of 1,744 KW annually.
- DIMO provides customised illumination solutions with LED technology so that corporates can improve their energy efficiency.
- DIMO introduced the Komatsu Hybrid Hydraulic Excavator to Sri Lanka, setting the standard for energy efficient construction machinery.
- DIMO Automobile Training School (DATS) recently launched its hybrid technology hub, to provide training in Hybrid and High voltage technology, facilitating better aftercare for hybrid vehicles.

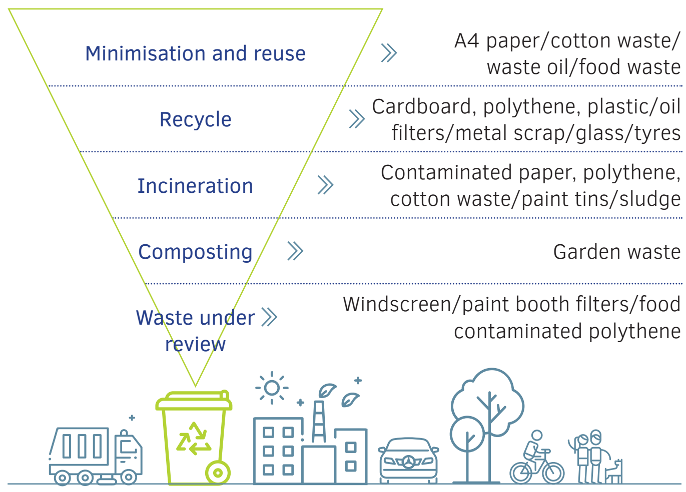
WASTE MANAGEMENT

Our approach to managing hazardous and non-hazardous solid waste is grounded in the belief that the Company should re-use, re-cycle and replenish wherever possible. Figure 09 depicts the process through which the Group practices this mandate, which is supported by all business units.

The Group's responsible waste disposal practices include segregating non-hazardous solid waste to reuse, recycle or incinerate. The segregation system at our premises involves colour coded bins for organic material, paper, polythene and plastic waste, which are then reused or recycled through CEA approved recyclers. Food waste is handed over to a third party for use as animal feed.

DIMO employees are regularly trained on safety and in proper handling of hazardous material. Chemical Spillage Kits are available for use by employees in the event of a spillage. The protocol for managing such an eventuality is set out in Material Safety Data Sheets (MSDS). We are pleased to report that there were no incidents reported in relation to hazardous chemical spillages during the year. In the case of electronic waste, we have partnered with a recycler for the safe disposal of e-waste.

Figure 09: DIMO waste management hierarchy



VOLUNTARY INVESTMENTS IN SUSTAINABLE DEVELOPMENT

We carry out voluntary investments in sustainable development based on community expectations and affordability. We try to engage in projects that are sustainable and can make a substantial impact for the intended cause for a longer period. Presented below is an account of DIMO's main voluntary projects that are ongoing. The impacts include improving technical education in Sri Lanka and preserving biodiversity.

DIMO Academy for Technical Skills (DATS) - ongoing since 1991	Turtle Conservation - ongoing since 2012	Life to Reef - ongoing since November 2017	Project Life – ongoing since 2018
The school has so far produced nearly 500 graduates in automobile engineering, who completed their two years of studies entirely free of charge.	As of 31st March 2020, a total of 81,503 hatchlings were released to the ocean. Hatching success rate is 96%.	DIMO volunteers have planted more than 1,500 coral nubbins to conserve coral reef - Rumassala (Galle), with promising results.	The project supports the restoration and biodiversity management of a degraded ten-hectare forest land in Kanneliya. This includes the development of a biodiversity credit accrual system for the first time in Sri Lanka.

GOVERNANCE: A STRUCTURE THAT CONNECTS PERFORMANCE WITH PURPOSE

Enterprise Governance at DIMO is designed to align the purpose and value creation model to seize market opportunities and to create sustainable value. In this spirit, the Board provides leadership to drive integrated thinking and formulate requisite strategies to direct the Group to its desired aspiration.

To fuel the dreams and aspirations of the stakeholders we serve, the Board of Directors of DIMO provides ethical, accountable and transparent leadership which ensures sustainable value creation and a culture of continuous improvement of good governance practices. The Board ensures that all business decisions are made in an independent and effective manner with reasonable skill and care while integrating strategy, performance and risk to craft our own value story.

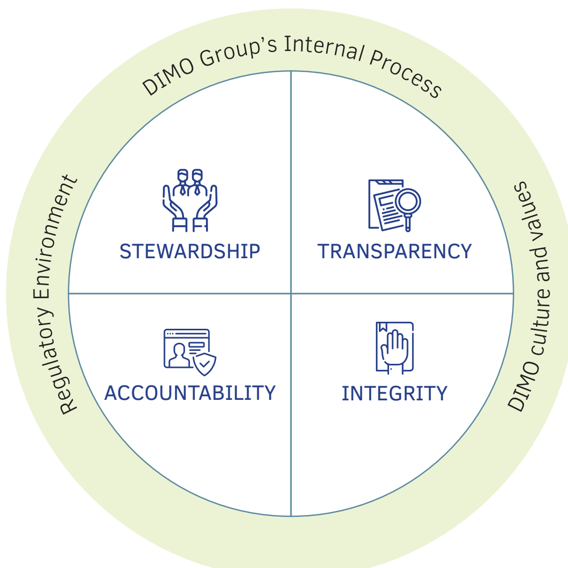
A FRAMEWORK TO TRANSLATE OUR COMMITMENT INTO PRACTICE

Complying with relevant laws and regulations and industry standards provides a solid foundation for the Board to be transparent in our practices and ethical in our operations. We augment our governance framework with voluntary adherence to best practices. The executive leadership is tasked with building the requisite values and culture for accountability and transparency. It allows the Group to venture beyond its mandatory compliance, to expand conformance practices to different areas of the business, promoting responsible corporate behaviour, strengthening operations, addressing expectations of various stakeholder groups and eventually supporting sustained performance.

Figure 10: Governance Framework

Mandatory Compliance

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



Voluntary Adherence

- Code of Best Practice on Corporate Governance issued by CA Sri Lanka
- UNGC ten principles
- Code of Business Ethics of DIMO
- GRI Standards
- Quality Management System
- Environmental Management System
- Internal Control System

Stewardship

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

The role of business leadership

Enterprise Governance at DIMO drives how well our purpose and value creation model are aligned to seize market opportunities and to create sustainable value. In this spirit, the Board provides business leadership to drive integrated thinking and formulate the requisite strategies to direct the Group to its desired aspiration.

Driving Value Creation

Value creation is optimised when strategy, risks and performance are carefully integrated and appropriately balanced. At DIMO, the Board drives the value creation process through effective management of capitals, value creation activities, impacts and risks, and connecting all those elements together to create a sound value creation model.

Web Content on Governance

How the governance framework facilitates the successful execution of value creation through its carefully implemented points of reference and the level of compliance with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka are available on Company's website at http://www.dimolanka.com/stewardship/

GOVERNANCE: A STRUCTURE THAT CONNECTS PERFORMANCE WITH PURPOSE

Managing Risks

The Board of Directors of DIMO is primarily responsible to ensure that risks are identified and appropriately managed across the Group. Risks associated with capitals, value creation activities, business segments and impacts are monitored and managed.

The detailed account of our risk management practices is available on pages 53 to 55.

Moving on after COVID-19

With the onset of COVID-19 in Sri Lanka and the consequent restrictions to business and movement, the Group's operations were adversely affected from the second half of the month of March 2020. The full extent and duration of the impact on the Group's operations and financial performance will be felt during the financial year 2020/21. The Board, in its role as the main governing body of the Group, has developed a comprehensive action plan to mitigate future adverse impacts. This plan covers the following key objectives:

Building our own resilience	We will build our own resilience through our integrated decision making process designed along capital management activities and value creation activities.
Adapting to the new normal	We will re-look at our value creation model and will re-design it, if required, to adapt to the new normal.
Virtual offices	We will build our human capital and other infrastructure as necessary to meet the new reality of virtual offices.

Accountability

Governing Structure

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

Figure 11: Governance Structure

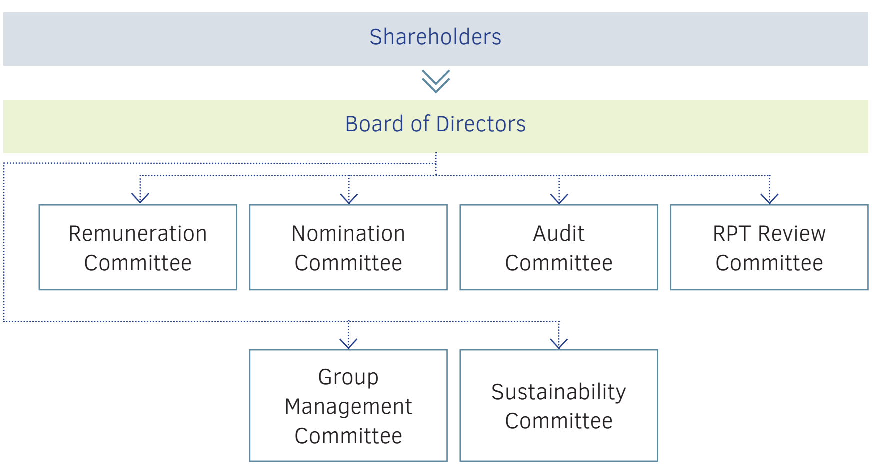
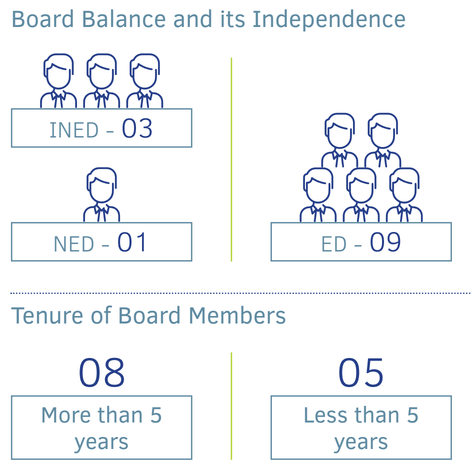


Figure 12: Board Diversity



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

Board of Directors

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

Board Balance and its Independence

The Board consisted of 13 members throughout the financial year 2019/20. The Directors bring a range of diverse skills, expertise and competencies to the Board to facilitate the effective discharge of Board responsibilities. Among the main areas of expertise and knowledge possessed by the Board are engineering capabilities, strategic business acumen, financial expertise, marketing and law.

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

All Directors must, by duty, act with independence of mind and in the best interests of the Company. This mandate is enhanced by the presence of four Non-Executive Directors, of whom three are Independent Directors.

Rule No. 7.10.3 of the listing rules of the Colombo Stock Exchange requires that an explanation be provided in the event a Director is considered an Independent Director after serving the Board continuously for a period of more than nine years. Mr. R. Seevaratnam and Dr. H. Cabral, whose tenures as Directors have exceeded nine years, continue to be considered Independent Directors. The required explanation is provided on page 59 in the Annual Report of the Board of Directors.

Chairman in an Executive Capacity

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

Senior Independent Director

Mr. R. Seevaratnam functions as the Senior Independent Director. The presence of the Senior Independent Director provides a workable mechanism to review the effectiveness of the Board in view of the executive role played by the Chairman.

Board Meetings

Meeting attendance of the Directors is one of the indicators of their active participation in decision making. As defined by charter, the Board always dedicates adequate time and effort to matters of the Board and the Group, to ensure that the duties and responsibilities owed to the Group are satisfactorily discharged. Table 03 sets out details of Directors' appointments and attendance at Board Meetings.

Board Performance

Board performance is appraised annually by the members of the Board. The Board evaluation process helps to improve Board effectiveness and to identify areas for improvement.

Performance Evaluation of Executive Directors and their Remuneration

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

The Directors' remuneration is aligned to their performance and is attractive enough to motivate and retain Executive Directors. The Remuneration Committee is responsible for suggesting and approving remuneration for Executive Directors. The report of the Remuneration Committee is presented on page 49.

Directors' remuneration is disclosed on page 89.

Brief profiles of the members of the Board are given on pages 10 to 11.

Table 03: Individual Directors' Active Participation in Decision Making

Board Member	Appointment to the Board		Position	Attendance at Board Meetings
	First	Re-election/ Re-appointment		
A. R. Pandithage	Jun-77	Jun-19	Chairman/Managing Director	5/5
A. G. Pandithage	Dec-95	Jun-18	CEO /Director	4/5
A. N. Algama	Nov-84	Jun-18	Executive Director	2/5
S. C. Algama	Nov-84	Jun-19	Executive Director	5/5
M. V. Bandara	Jun-16	Jun-19	Executive Director	5/5
Dr. H. Cabral	Oct-06	Jun-19	Independent Non-Executive Director	5/5
B.C.A.S.P. Gooneratne	Apr-06	Jun-19	Director/Chief Financial Officer	5/5
P.K.W. Mahendra	Jun-16	Jun-17	Executive Director	5/5
A.M. Pandithage	Sep-82	Jun-18	Non-Executive Director	5/5
A.N. Ranasinghe	July-17	Jun-18	Executive Director/Chief Marketing Officer	5/5
S.R.W.M.C. Ranawana	Jun-16	Jun-17	Executive Director	5/5
R. Seevaratnam	Jan-07	Jun-19	Senior Independent Director	5/5
A.D.B. Talwatte	Jun-16	Jun-17	Independent Non-Executive Director	5/5

GOVERNANCE: A STRUCTURE THAT CONNECTS PERFORMANCE WITH PURPOSE

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

Board Meeting Date	Gap Between Meetings (days)	Attendance			
		Executive Directors	Non - Executive Directors	Independent Non-Executive Directors	Total Number of Directors attended
08/05/2019	47	08	01	03	12
25/05/2019	17	07	01	03	11
02/08/2019	69	08	01	03	12
13/11/2019	103	09	01	03	13
10/02/2020	89	09	01	03	13

Board Committees

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

The reports of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review Committee, including the composition of each committee, are available on pages 47 to 51.

Management Committees

The Group Management Committee (GMC) is a management committee entrusted with the execution of strategy and the management of value creation. The members of the GMC are appointed by the Board and they consist of Executive Directors and members of the senior management team. The composition of the Group Management Committee is given on page 12.

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.

Transparency

Transparency in our practices largely depends on the compliance structure that we follow and the assurances we get. While ensuring transparency, this two pronged approach sets a path for the Board to provide a strong platform for performance.

Compliance Structure

The compliance and adherence section, depicted on the left of the governance framework on page 41, indicates the guidelines and systems to be followed by the Board, Board Committees, Management Committees and employees. As per the framework, statutes, statutory documents and regulations are classified in the "mandatory compliance" category and the codes, best practices, management systems and control systems are classified in the "voluntary adherence" category.

Mandatory compliance

DIMO is compliant with the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, along with many other applicable legislative enactments. The Company is also compliant with the regulations issued by the Securities and Exchange Commission and the Listing Rules of the Colombo Stock Exchange.

Disclosures required by the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange can be viewed from page 134 to 135.

Statements of responsibility

The Statement of Directors' Responsibility for Financial Statements setting out the Directors' responsibility in preparing and presenting the financial statements as per section 150 (1), 151, 152 and 153 (1) and (2) of Companies Act No. 07 of 2007 is presented on page 64.

The responsibility Statement of the Chairman, Chief Executive Officer and Chief Financial Officer recommended by section four of Guidelines for Appointment of Auditors of Listed Companies, issued by Securities and Exchange Commission in 2008, is available on page 52.

Disclosures specified by section 7.4 and 7.5 of the listing rules of the Colombo Stock Exchange

The Interim Financial Statements have been submitted to the Colombo Stock Exchange within forty five days for the first three quarters and within two months for the last quarter from the end of the relevant quarter. However, an extension was given for the submission of interim Financial Statements for the quarter ended 31st March 2020 and the Audited Financial Statement for the year ended 31st March 2020 due to the movement restrictions that prevailed. Notwithstanding the additional time allowed, the interim financial statements and the Audited Financial Statements for the year ended 31st March 2020 have been submitted to the Colombo Stock Exchange within two months and three months respectively of the Balance Sheet date.

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

All disclosures specified by Section 7.6 of the Listing Rules of the Colombo Stock Exchange are contained in this Annual Report.

There is no evidence of the book value of land being substantially different from the market value of land of the Company and/or its subsidiaries

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 50 for the Related Party Transaction Review Committee Report.

Voluntary adherence

We voluntarily adhere to several best practices to strengthen our good governance practices. This supports the extensions of our governance practices to different areas of the business, promoting responsible corporate behaviour, strengthening operations, addressing the expectations of various stakeholder groups and eventually supporting sustained performance. The levels of compliance and adherence are available on the Group's corporate website at www.dimolanka.com/stewardship/ and forms a part of this Enterprise Governance section.

Assurance Structure

Assurances obtained for the Financial Statements and for non-financial information, Internal Audit and Independent Certifications are key sources of comfort with regard to the integrity and the due functioning of the Governance framework.

Assurance on Financial Statements	Independent Audit at the year-end supplemented by an interim audit carried out during the year.
Assurance on Non-monetised Information	The independent audit on non-financial information was not carried out this year due to logistic restrictions that arose from COVID-19 pandemic.
Internal Audit on review of systems, controls, processes and operations	Headed by the Group Chief Internal Auditor. Field work is performed by a firm of - Chartered Accountants.
Independent Certifications	QMS audit and certifications, EMS audit and certification, Social Accountability Management System audit and certification.

Integrity

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

Balancing Stakeholder Interest

The stewardship role played by the Directors demands that they act responsibly towards stakeholders. The Group Sustainability Committee is entrusted to put this mandate in to practice. Refer page 14 and 15 for more information on stakeholder engagement.

Promoting Innovation

The Board places high value on innovation and pursues it relentlessly in the firm belief that a company may only grow to its full potential through constant innovation.

Our state of the art service centres islandwide, including the DIMO 800 Mercedes-Benz Centre, are a reflection of this belief. We want to ensure that our customers have access to the best products and best after-sales services. We want to ensure that our employees have access to the latest technologies. DIMO will continue to provide the leadership that we have imparted to the vehicle industry in this part of the world.

Information and Technology Governance

The Board shoulders overall responsibility for aligning the Group's information and technology practices with existing and future business needs. As such, the Board has appointed an IT steering committee to oversee IT governance across the Group.

Refer page 14 and 15 for the stakeholder engagement process.

GOVERNANCE: A STRUCTURE THAT CONNECTS PERFORMANCE WITH PURPOSE

SENIOR INDEPENDENT DIRECTOR'S STATEMENT

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

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

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

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

R. Seevaratnam

Mr. R. Seevaratnam
Senior Independent Director

Colombo
29th May 2020

REPORT OF THE AUDIT COMMITTEE

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

Dear shareholder,

I am pleased to present the report of the Audit Committee for the year ended 31st March 2020. Through this report I will share with you how the Audit Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

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

TERMS OF REFERENCE

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

Figure 13: Duties and responsibilities of the audit committee

FINANCIAL REPORTING

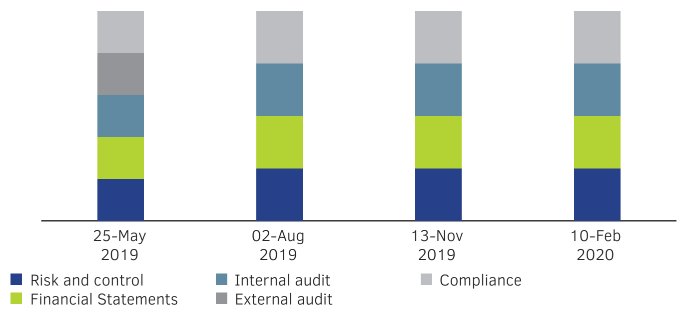
The Audit Committee reviewed the quarterly and annual Financial Statements prior to publication.

The review included;

- Appropriateness and changes in Accounting Policies.
- Significant estimates and judgement made by the management.

Graph 09:

Key areas covered during the year



- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Issues arising from the Internal Audit and Independent External Audit.
- The Group's/Company's ability to continue as a going concern.
- Statements and Reports to be included in the Annual Report.

INTERNAL AUDIT

The Internal Audit function is headed by the Group Chief Internal Auditor and the fieldwork and reporting is outsourced to a firm of Chartered Accountants. The Internal Auditors submitted their findings to the Audit Committee quarterly and their reports are made available to the Independent External Auditors.

The Committee monitors and reviews;

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee reviewed and assessed the Company's risk management process including the adequacy of the overall control environment and controls in areas of significant risks. Key risks that exceeded the Group's risk appetite are discussed in the risk management section presented from page 53 to 55.

The Committee is satisfied that an effective system of internal controls is in place to provide reasonable assurance on safeguarding the Company's assets and the reliability of the Financial Statements. The effectiveness of the Company's system of internal controls is evaluated through reports provided by the management, internal auditors and independent external auditors.

GOVERNANCE: A STRUCTURE THAT CONNECTS PERFORMANCE WITH PURPOSE

REPORT OF THE AUDIT COMMITTEE

EXTERNAL AUDIT

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

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

The current auditors, Messrs KPMG, was initially appointed as the external auditors of the Company and continue to hold that position at present. A partner rotation of the auditors take place at periodic intervals and the last rotation took place in the year 2017.

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

COMPLIANCE

The Audit Committee reviewed the reports submitted by the management and the Internal Auditors on compliance with applicable laws and regulations. The Committee is satisfied that laws and regulations are duly complied with and statutory payments have been made on a timely basis.

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

REPORTING

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

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

Employees can raise any confidential matters pertaining to accounting, internal controls and any non-compliance with laws and regulations (NOCLAR) to Chief Human Resources Officer, Group Chief Internal Auditor, Chief Executive Officer or the Chairman/ Managing Director. A Senior Independent Director is available to any member of the Board to discuss in confidence any matter concerning the Board.

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

MEMBERS

The Committee, as at 31st March 2020, comprised following members;

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

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

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

MEETINGS

The Committee held four meetings during the financial year;

25th	02nd	13th	10th
May 2019	August 2019	November 2019	February 2020

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of the Committee was conducted by the Board during the year and the outcome of the evaluation is given on page 59 in the Annual Report of the Board of Directors.

POTENTIAL FINANCIAL IMPLICATIONS ARISING FROM COVID-19 PANDEMIC ON THE GROUP/COMPANY

The Audit Committee reviewed the risk and going concern assessment carried out by the Board after considering the existing and potential financial implications of COVID-19 in the revised budget, cash flow projections and funding arrangements. The Committee is satisfied that the Company and its subsidiaries are able to continue as a going concern. Further, the Committee is also satisfied that the Company has made adequate disclosures in the financial statements in relation to the above.

CONCLUSION

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and implementation of Group's accounting policies and operational controls provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that the Group assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Company and its subsidiaries are able to continue as a going concern.

A.D.B. Talwatte
Chairman – Audit Committee

Colombo
29th May 2020

REPORT OF THE REMUNERATION COMMITTEE

Dr. H. Cabral
Chairman – Remuneration Committee

Dear shareholder,

I am pleased to present the report of the Remuneration Committee for the year ended 31st March 2020. Through this report I will share with you how the Remuneration Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

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

TERMS OF REFERENCE

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

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

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

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

REMUNERATION POLICY

The remuneration policy is designed to reward, motivate and retain the Company's executive team, with market competitive remuneration and benefits, to support the continued success of the business and creation of value as per the business model. The Committee makes every endeavour to maintain remuneration levels that are sufficient to attract and retain Executives Directors and the members of the senior management team. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards.

The remuneration packages which are linked to individual performances are aligned with the Company's short-term and long-term strategy. Further, the benefit packages awarded to Executive Directors and members of the Group Management Committee are intended to be competitive and comprise a mix of fixed and variable return. The variable remuneration is linked to group's profitability.

Components of the Executive Directors' Remuneration

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

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

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

MEMBERS

The Committee, as at 31st March 2020, comprised of the following members;

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

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

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

MEETINGS

15th
May 2019

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

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

DIRECTORS' EMOLUMENTS

The Directors' emoluments are disclosed in Note 4.5 on page 89.

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of the performance of the Committee was carried out by the Board during the year and the outcome of the evaluation is given on page 59 in the Annual Report of the Board of Directors.

Dr. H. Cabral
Chairman - Remuneration Committee

Colombo
29th May 2020

GOVERNANCE: A STRUCTURE THAT CONNECTS PERFORMANCE WITH PURPOSE

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

Dear shareholder,

I am pleased to present the report of the Related Party Transactions Review Committee for the year ended 31st March 2020. Through this report I will share with you how the Related Party Transactions Review Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

The Committee was established to advise the Board in relation to transactions with the related parties as defined by LKAS 24. The Committee also exercises oversight function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions ("the Code") issued by the Securities and Exchange Commission of Sri Lanka. The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

TERMS OF REFERENCE

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

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

POLICIES AND PROCEDURES

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

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

MEMBERS

The Committee, as at 31st March 2020, comprised of the following members;

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

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

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

MEETINGS

The Committee held four meetings during the financial year;

25th May 2019

02nd August 2019

13th November 2019

10th February 2020

RELATED PARTY TRANSACTIONS DURING THE YEAR

During the year, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 4.30 to the Financial Statements.

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

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of the performance of the Committee was conducted by the Board during the year and the outcome of the evaluation is given on page 59 in the Annual Report of the Board of Directors.

DECLARATION BY THE BOARD

A declaration is given by the Board in the Annual Report of the Board of Directors on pages 59 to 60 as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered by the Company during the year.

R. Seevaratnam

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

Colombo
29th May 2020

REPORT OF THE NOMINATION COMMITTEE

Dr. H. Cabral
Chairman – Nomination Committee

Dear shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31st March 2020. Through this report I will share with you how the Nomination Committee worked towards discharging its responsibilities.

PURPOSE OF THE COMMITTEE

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

TERMS OF REFERENCE

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

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

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

Area of expertise of Directors

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

MEMBERS

The Committee, as at 31st March 2020, comprised of the following members;

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

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

MEETINGS

May 2019

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

EVALUATION OF THE COMMITTEE PERFORMANCE

The annual evaluation of performance of the Committee was carried out by the Board during the year and the outcome of the evaluation is given on page 59 in the Annual Report of the Board of Directors.

Dr. H. Cabral
Chairman - Nomination Committee

Colombo
29th May 2020

GOVERNANCE: A STRUCTURE THAT CONNECTS PERFORMANCE WITH PURPOSE

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

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

We confirm that, the Financial Statements of Diesel and Motor Engineering PLC and Consolidated Financial Statements of the Group as at 31st March 2020 are prepared and presented in accordance with the requirements of the following:

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

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

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken reasonable and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

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

The Financial Statements were audited by Messrs KPMG, Chartered Accountants, Independent External Auditors. Their report is given on pages from 65 to 69 of the Annual Report.

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

CONCLUSION

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

A.R. Pandithage
Chairman/Managing Director

A.G. Pandithage
Director/Group Chief Executive Officer

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

Colombo
29th May 2020

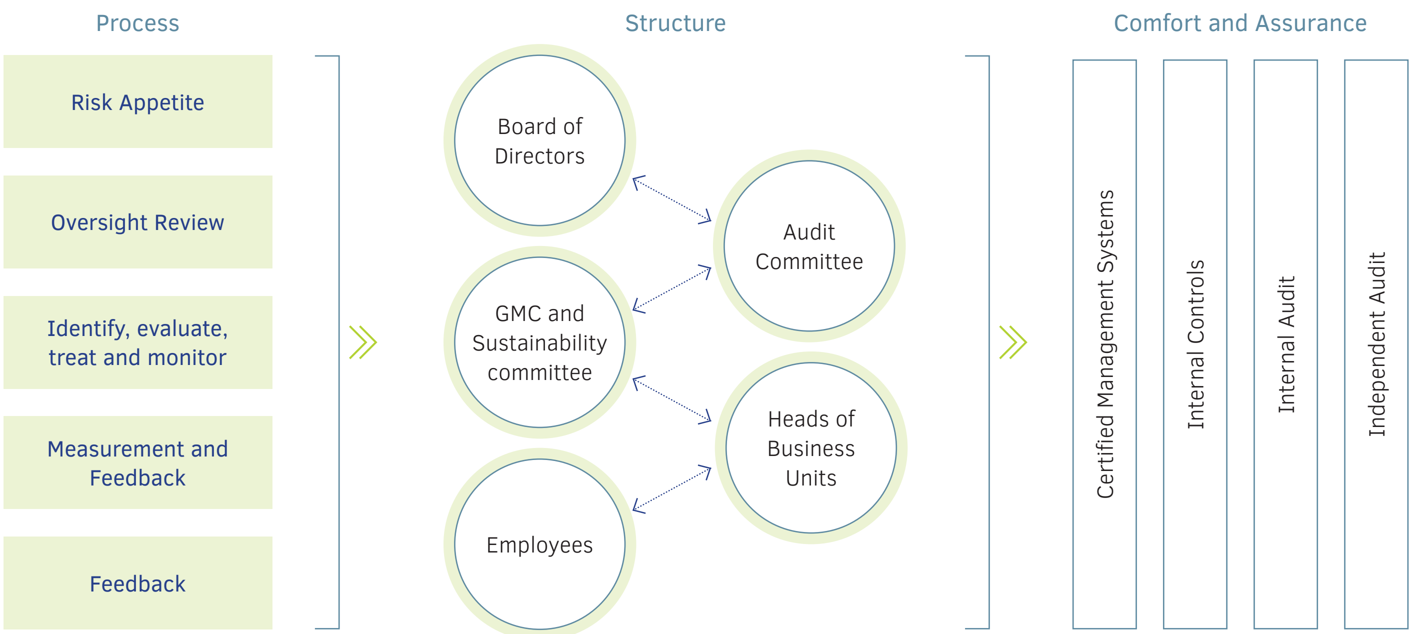
MANAGING RISKS: AN UNINTERRUPTED VALUE CHAIN

Managing risk is a key aspect of the Board's stewardship obligations. A robust risk management process ensures that we identify and mitigate material risks that affect our ability to create value, thereby ensuring uninterrupted value creation.

Figure 14 depicts our approach to risk management; the framework depicts the risk management process, the structure in place to administer the process and sources of comfort with regard to its effectiveness.

Risk management has taken on a new dimension given the uncertainty brought on by COVID-19. The need for structured but agile risk management has thus intensified.

Figure 14: Lines of defence in managing risks



Each division maintains a risk register as mandated by the Quality Management System. Each respective unit head must identify and record significant uncertainties throughout the value chain managed by that division.

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

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

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

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

Table 05 presents an account of key risks escalated to the Board of Directors, upon annual review by the GMC. These risks are those that exceed the Group's risk appetite, based on their impact on the Group irrespective of their probability of occurrence. The Board of Directors evaluates such risks, decides on sufficient mitigation activities and monitors the effectiveness of such activities.

MANAGING RISKS: AN UNINTERRUPTED VALUE CHAIN

Table 05: An account of DIMO's key risks

Risk statement	Impact on value creation	Risk mitigation	Change in risk profile				
			19/20	18/19	17/18	16/17	15/16
Uncertainty in demand and supply side due to interruptions to the global and local supply chain	Due to the spread of COVID-19 pandemic, the Group experiences negative impact on the availability of supply, and reduction in demand, negatively affecting Group's liquidity.	→ Constant dialogue with principals to secure supplies → Securing financing facilities from banks → Extra attention and monitoring of debt collections → Curtailment of specific discretionary expenses					
Risk of employee health and safety	With the spread of COVID-19, the risk of our employees coming into contact with the virus is high, especially when using public transport and during field visits. Such contact can interrupt our business operations as well.	→ An emergency taskforce was formed to ensure the employees' health & safety → A Group wide H&S guideline was issued in adherence with government regulations, with all employees declaring their fullest commitment through a formal declaration → Required PPE and disinfectants are made available to employees and other visitors to the premises → Employees who travel by public transport are encouraged to work from home					
Volatility of import regulations and government tariff policy on vehicles	39% of the Group's revenue is generated by the vehicles sales segment. This makes the Group's revenue highly vulnerable to the volatility in Government tariff policy, which negatively affects price and market demand.	→ The Group is aggressively pursuing a diversification strategy. As depicted by the strategy on page 15, our revenue is now diversified into six business segments → A dedicated division has been given the responsibility of corporate planning and driving the differentiation strategy					
Risk of disruption to relationships with key business partners	Any disruption with business partners affects the functionality of our business segments and could also negatively affect the relationship we maintain with other business partners.	→ Develop mutually beneficial relationships with business partners by differentiating DIMO from competitors → Independent survey on expectations of principals → Emphasis on meeting expectations of principals → Periodic evaluation of principals' satisfaction levels					
Risk of losing operational and confidential data due to security breaches / system breakdowns in the IT systems and disruption to operations due to breakdown in the IT systems	A security breach can reveal confidential information about customers, suppliers and key projects we undertake to competitors or to the public, which could ultimately lead to ethical violations and financial losses. The loss of operational information due to system breakdowns also has a major impact on business continuance.	→ Extensive controls and reviews to maintain efficiency of IT infrastructure and data including periodic technical vulnerability assessments on the corporate network and website → obtaining regular data backups; storing data backups in off-site locations → Availability of a dedicated Information Security and System Audit Manager → Continuous training for employees on information security					

Risk statement	Impact on value creation	Risk mitigation	Change in risk profile				
			19/20	18/19	17/18	16/17	15/16
Negative impact on reputation that may arise from unacceptable corporate behaviour	Economic, environment and social impact are inherent to business value creation. Failure to manage them responsibly in a timely manner could threaten our social licence to operate and our ability to achieve the stated purpose.	→ Code of business conduct ensures ethical behaviour of employees → Accredited quality, environmental and social accountability management system ensures timely responses to impacts → Refer page 38 to 40 for more information on DIMO's approach for impact management	●	●	●	●	●
Possible events / incidents that could cause customer health and safety issues	Products and solutions we represent are complex and involve highly automated technical components which, if not operated properly, may cause health and safety threats to customers. Such incidents could negatively affect our brand and reputation.	→ Customer safety is a priority in the quality management system which is ISO 9001:2015 accredited → We partner only with internationally renowned brands, which comply with internationally accepted health and safety standards	●	●	●	●	●

● Extensive monitoring and management required

● Considerable monitoring and management required

● Moderate monitoring and management required

FINANCIAL STATEMENTS

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

FINANCIAL CALENDAR - 2019/2020

	Date
Interim Financial Statements - Submission to the Colombo Stock Exchange (CSE)	
Three months ended 30th June 2019	2nd August 2019
Six months ended 30th September 2019	14th November 2019
Nine months ended 31st December 2019	11th February 2020
Twelve months ended 31st March 2020	1st June 2020
Annual Report – Financial year ended 31st March 2020	8th June 2020
75th Annual General Meeting to be held on	30th June 2020

ANNUAL REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors take pleasure in presenting the Annual Report of the Company for the financial year ended 31st March 2020, that includes and covers the Audited Financial Statements, Chairman's Message, Statements of Responsibility, Auditors' Report, Independent Assurance on Non- Financial Reporting and other relevant information covered in "Positioned for value creation", " Reflecting on value created" and " Gearing for future value creation " sections of the annual report.

The information table on 'Disclosures required by the Companies Act No. 07 of 2007' appearing on pages 134 to 135 forms part of this Annual Report of the Board of Directors.

The Annual Report of the Company including the Annual Report of the Board of Directors was adopted by the Board of Directors on 29th May 2020. The required number of copies of the Company's Annual Report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the stipulated time.

GROUP STRUCTURE AND PRINCIPLE BUSINESS ACTIVITIES

The Group structure is available on page 19.

A brief description of the nature of the principal business activities of the Group and the Company is given in Note 2.2 to the Financial Statements on page 76.

STATEMENTS OF ASPIRATION, PURPOSE AND VALUES

The Company's statements of aspiration, purpose and values are available on page 14. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving the aspiration and purpose. All employees are given a copy of the Code of Business Ethics of the Company and employees are required to adhere to it.

THE BOARD OF DIRECTORS

The Board of Directors of the Company consisted of thirteen members as at 31st March 2020. Information relating to the Directors of the Company is available on pages 10 to 11 and at https://www.dimolanka.com/about-us/board-of-directors/.

The names of the Directors of Subsidiary Companies are given on page 20.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Mr. P. K. W. Mahendra, Mr. S. R. W. M. C. Ranawana and Mr. A. D. B. Talwatte retire by rotation in terms of the Article 66 of the Articles of Association of the Company, and are eligible for re-election.

The agenda for the Annual General Meeting includes three separate ordinary resolutions to be taken up to re-appoint Mr. A.R. Pandithage as a Director, who has reached the age of 72, Mr. R. Seevaratnam as a Director, who has reached the age of 76, Mr S.C. Algama as a director, who has reached the age of 71 and Mr. A. N. Algama as a director, who has reached the age of 70.

REVIEW OF PERFORMANCE

A review of performance and future outlook of the Group is available in the Message from the Chairman (pages 5 to 7), Strategic review by the Group Chief Executive Officer and Reflecting on value created section appearing on pages 8 to 9 and pages 22 to 30.

Investment activities during the year

The company invested Rs. 50.2 million during the year in DIMO Lanka Company Limited, a subsidiary of the company which operates as an investment arm in Myanmar. DIMO Lanka Company Limited in turn invested Rs. 46.2 million in United DIMO Company Limited during 2019/20 financial year. There was no change in the percentage of shareholding in subsidiaries by the company.

The company set-up a new branch in the Republic of Uganda to conduct business activities in the area of power engineering solutions and services.

DISCLOSURES

The Annual Report of the Company fulfils the disclosure requirements of the Sri Lanka Accounting Standards (SLFRs/LKASs), Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. A report on compliance with the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka is available in the company website at www.dimolanka.com/stwardship/.

FINANCIAL STATEMENTS

The Financial Statements of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/LKASs), issued by the Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange. The Financial Statements for the year ended 31st March 2020 signed on behalf of the Board by the Chairman/Managing Director and Director/Chief Financial Officer are given on pages 70 to 130.

FINANCIAL RESULTS AND APPROPRIATIONS

Turnover

The total gross Group turnover generated by the 06 business segments was Rs. 34,558 million (2018/19 - Rs. 38,300 million), while the turnover of the Company was Rs. 28,613 million (2018/19 - Rs. 33, 539 million). A segment wise analysis is given in Note 4.2 appearing on pages 85 to 87.

PROFIT AND APPROPRIATIONS

The group profit after tax and group profit attributable to equity holders of the parent for the year were Rs. 201 million (2018/19 - Rs. 77 million) and Rs. 195 million (2018/19 – Rs. 51 million) respectively, whilst the profit after tax of the Company was Rs. 268 million (2018/19 – loss of Rs. 213 million).

The Group total comprehensive income attributable to parent was Rs. 260 million (2018/19 – Rs. 65 million) and the Company's total comprehensive income for the year was Rs. 323 million (2018/19 – Loss of Rs. 210 million).

DIVIDEND AND RESERVES

The Company did not declare dividends for 2019/20 financial year. The proposed first and final dividend of Rs. 2.50 per share for 2018/19 financial year was approved by the Board of Directors on 25th May 2019 and paid on 17th June 2019.

The Group Reserve as at 31st March 2020 amounts to Rs. 11,554 million (2018/19 – Rs. 11,316 million). The composition of the reserves is shown in the Statement of Changes in Equity in the Financial Statements.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

The Board of Directors has appointed four Committees to assist the Board. They are Audit Committee, Remuneration Committee, Related Party Transactions Review Committee and Nomination Committee. While the first three committees are required by the Listing Rules of Colombo Stock Exchange, functioning of all four committees are recommended by the Code of Best Practice on Corporate Governance – 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The terms of reference of each committee is set by the Board.

BOARD AND BOARD COMMITTEE MEETINGS

The number of Board meetings held and the number of meetings attended by the Directors is given on pages 43 to 44. The number of Board Committee meetings held and the attendance of members are given in the respective Committee Report appearing on pages 47 to 48, 49, 50 and 51.

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 a Board meeting and it was concluded that performance of all four Committees were satisfactory.

DIRECTORS' REMUNERATION

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

DIRECTORS' SHAREHOLDINGS

Shareholdings of Directors and their spouses, as required by Listing Rules of the Colombo Stock Exchange, are given on page 133 under 'Share Information'.

Dr. H. Cabral, Mr. B. C. S. A. P. Gooneratne, Mr. P. K. W. Mahendra, Mr. S. R. W. M. C. Ranawana, Mr. R. Seevaratnam, Mr. A. D. B. Talwatte and Mr. A.N. Ranasinghe, who are Directors of the Company did not hold any shares of the Company as at 31st March 2020.

INTEREST REGISTER AND DIRECTORS' INTERESTS IN CONTRACTS/PROPOSED CONTRACTS

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

During the year, entries made in the Interest Register consisted of Directors' interests in contracts, remuneration paid to the Directors and renewal of Directors' and officers' liability insurance. The Interest Register is available at the registered office of the Company, in keeping with the requirements of the Section 119 (1) (d) of the Companies Act No. 07 of 2007. The particulars of the Directors' Interests in Contracts are given on page 62 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.

EMPLOYEE SHARE OWNERSHIP PLANS

The Group does not operate any share option scheme.

RELATED PARTY TRANSACTIONS

Non- Recurrent Related Party Transactions

There were no non-recurrent related party transactions of which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company during the year ended 31st March 2020, which require specific disclosures in the Annual Report as required by Listing Rule 9.3.2 of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate exceeded 10% of the consolidated revenue of the Group as per 31st March 2019 audited Financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Company identifies related parties as defined by LKAS 24. The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction Policy, declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them in any company where they hold office or through ownership. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

ACCOUNTING POLICIES

The significant Accounting Policies adopted by the Group and the Company are given on pages 76 to 127.

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 2020 and of their performance for the year ended on that date.

INDEPENDENT AUDITORS' APPOINTMENT AND REMUNERATION

The Company's Independent External Auditors, Messrs KPMG, Chartered Accountants, who were re-appointed by a resolution passed at the last Annual General Meeting, have expressed their opinion which appears on page 65 to 69 of this Annual Report.

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

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

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Board considers that strong internal controls are integral to sound management of the Company and is committed to maintaining financial, operational and risk management controls over all its activities. Further details of these aspects are discussed in Directors' Statement on Internal on Internal Controls (page 63) and on pages 53 to 55.

GOING CONCERN

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

ENTERPRISE GOVERNANCE

Pages 41 to 45 shows the governance structure of the group and the manner in which the Board plays its stewardship role.

RESPONSIBLE CORPORATE BEHAVIOUR

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

MATERIAL FORESEEABLE RISK FACTORS

Information pertaining to material foreseeable risk factors are discussed on pages 53 to 55 of this annual report.

EMPLOYMENT

Pages 34 to 35 covers in detail the group's practices and policies relating to selection, training, development, promotion and employee relations.

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

SHARE INFORMATION

Information relating to shareholding, market value of shares, public shareholding and top twenty shareholders are available on pages 132 to 133 under 'Share Information'.

EQUITABLE TREATMENT OF SHAREHOLDERS

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

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given in page 144 of this Report.

DONATIONS

The Group and the Company made donations during the year amounting to Rs. 2.9 million and Rs. 2.4 million respectively (2018/19 - Group: Rs. 2.9 million, Company - Rs. 2.8 million).

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group and the Company incurred Rs. 464 million and Rs. 351 million respectively (2018/19 - Group: Rs. 510 million, Company: Rs. 391 million) on acquisition of property, plant and equipment, details of which are available in Note 4.9 to the Financial Statements.

The investment in intangible assets by the Group during the year was Rs. 5.1 million whilst the investment in intangible assets by the Company too was Rs. 5.1 million. (2018/19 – Group: Rs. 7.7 million, Company: Rs. 7.7 million).

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

MARKET VALUE OF FREEHOLD LAND

A qualified independent valuer carried out a revaluation of the Company's freehold land on 16th October 2017 and the carrying value of freehold land has been adjusted accordingly. The details of market value of freehold land are given in Note 4.9.1 to the Financial Statements.

STATED CAPITAL

The stated capital of the Company as at 31st March 2020 amounted to Rs. 425 million (2018/19- Rs. 425 million), details of which are available in Note 4.19 to the Financial Statements. There were no shares issued during the financial year.

STATUTORY PAYMENTS

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

ENVIRONMENTAL PROTECTION

Policies and endeavours made on environmental preservation by the Group and the Company are covered on pages 38 to 40.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 5.3 to the Financial Statements on page 130.

ANNUAL GENERAL MEETING

Taking into consideration the current regulations/restrictions prevailing in the country due to the COVID-19 pandemic, the Board of Directors has decided to hold the 75th Annual General Meeting (AGM) as a Hybrid Meeting on 30th June 2020 at 9.30 a.m., in line with the Guidelines issued by Colombo Stock Exchange (CSE) for hosting of virtual/hybrid AGMs and on the assumption that no curfew will be in force on that date and that there would be no restrictions imposed by the authorities on conduct on meetings.

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
29th May 2020

DIRECTORS' INTERESTS IN CONTRACTS WITH THE COMPANY

Related party disclosures as per the Sri Lanka Accounting Standard -LKAS 24 'Related Party Disclosures' is disclosed in Note 5.1 to the Financial Statements on pages 128 to 129. In addition, the Company carries out transactions in the ordinary course of business with entities where the Director of the Company is the Chairman or a Director of such entities as detailed below.

Director /Company	Relationship to Company	Nature of the transaction	Outstanding as at 31st Mar 2020 (Rs.'000)	Outstanding as at 31st Mar 2019 (Rs.'000)
Mr. A.M Pandithage				
Advantis Projects & Engineering (Pvt) Ltd	Director	Repairing and servicing of Vehicles	-	176
		Sales of Vehicles	4,025	-
		Sales of Spare parts	1,743	931
Alumex PLC*	Director	Sales of Spare parts	803	361
		Repairing and servicing of Vehicles	15	91
Dipped Products PLC	Director	Repairing and servicing of Vehicles	3	232
Fentons Ltd	Director	Vehicle Hiring	21,115	432
Haycarb PLC	Director	Repairing and servicing of Vehicles	1,176	335
Hayleys Advantis Ltd	Director	Repairing and servicing of Vehicles	-	563
Hayleys Aventura (Private) Limited	Director	Repairing and servicing of Vehicles	85	-
		Vehicle Hiring	834	-
Hayleys Fabric PLC	Director	Repairing and servicing of Vehicles	279	72
Hayleys Free Zone Limited	Director	Repairing and servicing of Vehicles	106	1,976
Hayleys Life sciences (Pvt) Limited	Director	Sales of Spare parts	-	31
Hayleys PLC*	Chairman/Director	Repairing and servicing of Vehicles	230	395
Hayleys Tours (Pvt) Limited	Director	Repairing and servicing of Vehicles	-	40
Kelani Valley Plantations PLC	Director	Repairing and servicing of Vehicles	109	-
Lanka Orient Express Lines Ltd	Director	Repairing and servicing of Vehicles	-	163
Logiwiz Ltd	Director	Repairing and servicing of Vehicles	2,150	13,037
		Sales of Vehicles	633	-
		Vehicle Hiring	-	51
Mountain Hawk Express (Pvt) Ltd	Director	Freight Services	(19)	-
Presto Lanka Engineers	Director	Sales of Spare parts	8	11
Singer (Sri Lanka) PLC	Director	Repairing and servicing of Vehicles	1,118	512
		Sales of Spare parts	254	416
		Sales of Vehicles	5,304	-
Sri Lanka Shipping Co Ltd	Director	Repairing and servicing of Vehicles	-	677
Talawakelle Tea Estates PLC	Director	Repairing and servicing of Vehicles	117	-
The Kingsbury PLC	Director	Sales of Spare parts	-	66
Uni Dil Packing Limited	Director	Repairing and servicing of Vehicles	24	36
Mr. R. Seevaratnam				
Alpha Apparels Ltd	Director	Repairing and servicing of Vehicles	58	556
Benji Limited	Director	Repairing and servicing of Vehicles	171	143
Distilleries Company of Sri Lanka PLC	Director	Repairing and servicing of Vehicles	316	156
		Sales of Spare parts	-	183
Lankem Ceylon PLC	Director	Repairing and servicing of Vehicles	259	75
Nestle Lanka PLC	Director	Repairing and servicing of Vehicles	1,061	(6,303)
		Sales of Vehicles	3,275	-
Omega Line Ltd	Director	Repairing and servicing of Vehicles	161	35
Tokyo Cement Company (Lanka) PLC**	Director	Repairing and servicing of Vehicles	1,811	2,161
		Sales of Spare parts	203	97
Mr. A.D.B. Talwatte				
Central Finance Co PLC	Director	Repairing and servicing of Vehicles	1,250	166
		Sales of Spare parts	209	18
		Sales of Vehicles	6,140	8,857
Ceylon Hospitals PLC	Director	Sales of Spare parts	136	-
Chevron Lubricants Lanka PLC	Director	Purchase of Lubricants	53	(387)
Sunshine Healthcare Lanka Limited	Director	Repairing and servicing of Vehicles	-	38
Dr. Harsha Cabral				
Tokyo Cement Power (Lanka) Ltd	Director	Repairing and servicing of Vehicles	110	59
		Sales of Spare parts	187	-
Tokyo Eastern Cement Company (Private) Ltd	Director	Repairing and servicing of Vehicles	857	472
		Sales of Spare parts	20	-
Tokyo Super Mix (pvt) Ltd	Director	Repairing and servicing of Vehicles	588	125
		Sales of Spare parts	-	136

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

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

BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The Section D.1.5 of the 'Code of Best Practice on Corporate Governance 2017' (The Code) issued by the Institute of Chartered Accountants of Sri Lanka recommends that the Board of Directors present a Statement on Internal Controls, in the Annual Report.

RESPONSIBILITY

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

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

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

KEY INTERNAL CONTROL PROCESSES

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

- The Board Committees and Management Committees are established to assist the Board in ensuring the effectiveness of the Group's operations and that the Group's operations are directed towards corporate strategy, objectives, annual budget and policies taking in to consideration the business environment and internal operating conditions.
- The Group Internal Audit function provides comfort on the efficiency and effectiveness of the Internal Control System of the Group and Company. The Group Internal Audit function operates according to the annual audit plan which is reviewed and approved by the Audit Committee. Their findings of the audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee approves the annual audit plan, reviews internal control issues identified by the Group Internal Auditors, the Independent External Auditors, regulatory authorities and the management and evaluates the adequacy and effectiveness of the internal control system. Activities undertaken by the Audit Committee are set out in the Audit Committee Report on page from 47 to 48.

CONFIRMATION

The Board of Directors of Diesel & Motor Engineering PLC confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The consolidated financial statements for the year ended 31st March 2020 have been audited by Messrs. KPMG, Chartered Accountants.

By order of the Board,

A.R. Pandithage
Chairman/Managing Director

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

A.D.B. Talwatte
Chairman - Audit Committee

Colombo
29th May 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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

The responsibilities of the Directors in relation to the Financial Statements of the Company and the Group are set out in this statement. The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors on pages from 65 to 69.

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

The Financial Statements comprise of:

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

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

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

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

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

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

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2021 and the bank facilities, consider that the Group/Company has adequate resources to continue in operation, and have continued to adopt the going concern basis in preparing these Financial Statements.

Directors confirm that;

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

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

By Order of the Board,

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

Colombo
29th May 2020

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF DIESEL AND MOTOR ENGINEERING PLC

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Diesel and Motor Engineering PLC (the"Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statements of financial position as at March 31, 2020, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 70 to 130.

In our opinion, the accompanying financial statements of the Group and the Company give a true and fair view of the financial position of the Group and the Company as at March 31, 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and the company financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements and the company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

See note 3.7 for Use of Judgments and Estimates and note no 4.1 for information and accounting policy.

Risk Description	Our response
The Group carry out its business operations in different sectors which result in high volume of revenue transactions in different revenue streams which requires judgment in some of the revenue transactions in order to determine the timing and the amount of revenue recognition. Further, in accordance with Sri Lanka Auditing Standards (SLAuS), there is a presumed fraud risk relating to revenue recognition. Some of the Group's/ Company's revenue recognition require judgement which will increase the risk of material misstatements of revenue, deferred income and other related balances. We consider this as a key audit matter because of the significant judgment and estimates associated with the appropriate recognition of revenue in the correct accounting period.	Our audit procedures included; → Testing key controls assisted by our own IT Specialist over the revenue recognition. → Performing detailed analysis of revenue, testing the timing of its recognition and accuracy of the amounts recognized specially in relation to service contracts, performing focused substantive testing procedures based on our industry knowledge which including among other testing on sample basis of the; - Revenue recognition on the service contracts. - Adjustments to the revenue which are outside of the normal billing process. - Recognition of deferred income on future performance obligations and on the variable considerations. - Cut-off procedures of revenue and verification of the supporting information of the revenue transactions. → Reviewing the adequacy, relevance and accuracy of the accounting policies and disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

KPMG

Adoption of SLFRS 16 (Leases)

See note 3.8 for changes in accounting policies and note 4.10 and note 4.22.3 for the accounting policy and disclosures on the right of use and lease liability in these Financial Statements.

Risk Description	Our response
SLFRS 16 introduces a new lease accounting model, where lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet. The Group has adopted SLFRS 16 using the modified retrospective approach, under which the Company has recognized the lease liability and the ROU asset based on the present value of the remaining lease payments as at 1st April 2019 whereas ROU is adjusted by the amounts of any prepaid lease payments. Accordingly, the information presented for prior year has not been restated and continued to be reported, under LKAS 17 and related interpretations. As a result, as at 1st April 2019, the Group recognized ROU assets of Rs. 553 Million (Company Rs. 515 Million), lease liabilities of Rs. 498 Million (Company Rs. 461 Million). Significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include assessment of lease term, the computation of the ROU asset where appropriate and the determination of appropriate discount rates. The adjustments arising from applying SLFRS 16 are material to the Group/ Company, and disclosure of impact is also a key focus area in our audit.	Our audit procedures included; → Reading a sample of contracts to assess whether leases have been appropriately identified as per the SLFRS 16 requirements. → Assessing the reasonableness of the methodology of the computation and the determination of lease arrangement excluded from the SLFRS 16 computations. → Obtaining the Group's/ Company's quantification of ROU assets and lease liabilities and check the completeness of the computation and for a sample of leases, we agreed the inputs used in the quantification to the lease agreements and performed computation checks while challenging the calculations and discount rate applied. → Evaluating the appropriateness of the selection of accounting policies and management approach over adoption and transition applied for SLFRS 16, including the key accounting estimates and judgements made by the management based on the requirements of the new standard. → Assessing the adequacy of the financial statements' disclosure required by SLFRS 16.

Provision for Impairment of Trade Receivables

See note 3.7 for Use of Judgments and Estimates and note no 4.16 for information and accounting policy.

Risk Description	Our response
The Group/ Company has recognized a total impairment provision of Rs. 965 Million and Rs. 798 Million on total trade receivables of Rs. 9,479 Million and Rs. 6,477 Million respectively. Impairment allowances represent management's best estimate of the expected credit losses on trade receivables at the reporting date. They are calculated for individually significant trade receivables and on a collective basis for portfolios of trade receivable of a similar nature. Further, COVID-19 outbreak resulted in loss of income for majority of the corporates as well as for the individuals which increases the credit risk and the outbreak significantly affected on the macro economic forecasts which affects the recoverability of the receivables.	Our audit procedures among others included: → Testing the design, implementation and operating effectiveness of the controls management has established in arriving at criteria used for provision computations and to ensure the accuracy of the impairment provision. → Testing the completeness and accuracy of key inputs in to models and computations. Further, we assessed the reasonability of the model methodology and key assumptions. → Assessing the recoverability of a sample of customers and reviewing the underlying documents to verify the details recorded in the database such as the credit limits, historical patterns of receipts and reviewing cash received subsequent to year end for its effect in reducing amounts outstanding at year end etc. and perform re-computation over the computation.

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Risk Description	Our response
The calculation of impairment allowances is inherently judgmental for any institution. The Group uses both specific assessment and collective assessment for impairment and specific receivables are individually assessed for impairment by considering objective evidence and based on the expected realization of those balances. Collective impairment allowances are calculated using statistical models concurrent with the historical information on the probability of default, the timing of recoveries, and the amount of loss incurred and making adjustments to current and expected economic and credit conditions. The inputs to these models are subject to management judgment and model overlays are often required. Further, we have specifically focused on impairment due to the materiality of the balances and the subjective nature of the calculation.	→ Assessing whether the Group policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimates made in respect of trade receivable impairment. → Assessing the completeness and the adequacy of the accounting policy over the impairment and related disclosures.

Estimation uncertainty and impact on the business operations on COVID-19 outbreak

See note 3.3, 3.7.1, 4.13.2 and 5.3 to the financial statements for the detailed disclosures.

Risk Description	Our response
The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations. The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. Note 3.3, 3.7.1, 4.13.2, 5.4.1 and 5.4.2 in the Financial Statements, describes the impact of COVID-19 outbreak to the current year financial statements and the possible effects of the future implications to the Company and Group. Management have described how they plan to deal with these events and circumstances as the outbreak is prevailing, the effect of the outbreak is subject to significant level of uncertainty, with the full range of possible effects unknown at the time of finalizing these financial statements. Accordingly, the management assessment on going concern of the company and group, the estimation uncertainties involved in preparing these financial statements, specifically in estimating impairment provisions relating to trade receivables are key areas in assessing how the company and the group is facing the COVID-19 outbreak. We identified the disclosures relating to management assessment on going concern and the estimation uncertainty resulting due to COVID-19 as a key audit matter because the assessment involves consideration of future events which are inherently uncertain, and involves significant management judgment in assessing future projections.	Our audit procedures included; → Obtaining the Company's profitability and cash flow projections covering a period of not less than twelve months from the reporting period end date and challenging the key assumptions used in preparing the projections and inquiring the management plans and strategies on credit risk, liquidity risk and the exchange rate risk management evaluating the reasonability of the management plans highlighted. → Evaluating the appropriateness of the assumptions used for the estimates and assessing whether the estimates reflected the latest economic conditions pursuant to the COVID-19 outbreak. → Inspecting the availability of the credit facility arrangements for the Group/ Company to manage the liquidity on a short term and long-term basis assessing the implication of these on the Company's liquidity; → Assessing the adequacy of the financial statements disclosures in relation to the impact of the uncertainty of COVID-19.

INDEPENDENT AUDITOR'S REPORT

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OTHER INFORMATION

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

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's/ Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and Group/ Company using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's/ Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Chartered Accountants

Colombo, Sri Lanka
29th May 2020

SECTION 1 - FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements for the year ended 31st March 2020 comprise "Company" referring to Diesel and Motor Engineering PLC as the holding company, and the "Group" referring to the companies that have been consolidated therein.

COMPOSITION OF FINANCIAL STATEMENTS

The Financial Statements comprise of the following;

→ Statement of Profit or Loss and Other Comprehensive Income

→ Statement of Financial Position

→ Statement of Changes in Equity

→ Statement of Cash Flows

→ Notes to the Financial Statements comprising of Basis of Accounting (Section 3), Specific Accounting Policies and Notes (Section 4) and other disclosures (Section 5).

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board of Directors acknowledges their responsibility for Financial Statements, as set out in the Annual Report of the Board of Directors, Statement of Directors' Responsibilities for Financial Statements and in the certification on the Statement of Financial Position on pages 58 to 61, 64 and 72 respectively, of this Annual Report.

AUTHORISATION OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

The Financial Statements for the year ended 31st March 2020, were authorised for issue by the Board of Directors on 29th May 2020.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Group Change %	Company 2020 Rs.'000	Company 2019 Rs.'000	Company Change %
Revenue	4.1	34,557,871	38,300,350	-10%	28,612,775	33,538,829	-15%
Sales taxes		(172,968)	(283,615)	-39%	(124,184)	(201,168)	-38%
Net revenue		34,384,903	38,016,735	-10%	28,488,591	33,337,661	-15%
Cost of sales		(27,053,148)	(30,783,964)	-12%	(22,472,010)	(27,471,345)	-18%
Gross profit		7,331,755	7,232,771	1%	6,016,581	5,866,316	3%
Other operating income	4.3	158,588	170,093	-7%	260,032	174,589	49%
Selling and distribution expenses		(686,736)	(736,643)	-7%	(591,326)	(604,727)	-2%
Provision for Impairment of trade receivables	4.16.1	(323,472)	(177,810)	82%	(245,022)	(185,283)	32%
Administrative expenses		(5,031,901)	(5,004,031)	1%	(4,075,781)	(4,206,519)	-3%
Operating profit		1,448,234	1,484,380	-2%	1,364,484	1,044,376	31%
Finance income		237,669	176,266	35%	217,705	179,921	21%
Finance costs		(1,390,042)	(1,525,864)	-9%	(1,245,260)	(1,455,855)	-14%
Net finance costs	4.4	(1,152,373)	(1,349,598)	-15%	(1,027,555)	(1,275,934)	-19%
Share of loss of equity-accounted investee, net of tax	4.12.5	(16,334)	(30,663)	-47%	(16,334)	(30,663)	-47%
Profit/(loss) before tax	4.5	279,527	104,119	168%	320,595	(262,221)	222%
Income tax (expense)/reversal	4.6	(78,383)	(27,436)	186%	(52,874)	48,898	-208%
Profit/(loss) for the year		201,144	76,683	162%	267,721	(213,323)	226%
Other Comprehensive Income							
Items that will not be reclassified to profit or loss							
Remeasurement of defined benefit obligation	4.23.1	60,870	12,179	400%	69,817	160	43536%
Deferred tax charge on actuarial gain	4.24.2	(17,044)	(3,410)	400%	(19,549)	(45)	43342%
Equity investments at FVOCI – net change in fair value		(527)	(1,462)	-64%	(518)	(1,514)	-66%
		43,299	7,307	493%	49,750	(1,399)	3656%
Items that are or may be reclassified subsequently to profit or loss							
Foreign operations- foreign currency translation differences	4.21.1	26,501	7,013	278%	5,213	5,040	3%
		26,501	7,013	278%	5,213	5,040	3%
Total other comprehensive income, net of tax		69,800	14,320	387%	54,963	3,641	1410%
Total comprehensive income for the year		270,944	91,003	198%	322,684	(209,682)	254%
Profit/(Loss) attributable to:							
Owners of the Company		195,011	51,307	280%	267,721	(213,323)	226%
Non-controlling interest		6,133	25,376	-76%	-	-	-
		201,144	76,683	162%	267,721	(213,323)	226%
Total comprehensive income attributable to:							
Owners of the Company		260,357	65,093	300%	322,684	(209,682)	254%
Non-controlling interest		10,587	25,910	-59%	-	-	-
		270,944	91,003	198%	322,684	(209,682)	254%
Basic and diluted earnings/(loss) per share (Rs.)	4.7	21.97	5.78		30.16	(24.03)	

Figures in brackets indicate deductions.

The Notes appearing on pages 76 to 130 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Assets					
Property, plant and equipment	4.9	11,506,819	11,524,518	11,080,460	11,151,036
Right-of-use assets	4.10	478,010	17,911	462,001	17,911
Intangible assets and goodwill	4.11	128,720	135,215	11,097	17,592
Investments in subsidiaries	4.12.1	-	-	564,752	514,576
Equity accounted investee	4.12.5	26,620	40,414	26,620	40,414
Equity Securities	4.14	6,461	6,897	6,389	6,816
Deferred tax assets	4.24	97,341	51,336	-	-
Total non-current assets		12,243,971	11,776,291	12,151,319	11,748,345
Inventories	4.15	8,007,852	8,360,450	6,878,269	7,275,511
Trade and other receivables	4.16	8,519,705	6,974,219	5,684,764	4,832,912
Other current assets	4.17	2,091,929	1,643,360	1,844,113	1,410,437
Current tax asset	4.29	306,663	304,642	236,295	293,608
Amounts due from related parties	4.30.1	17,801	18,204	149,831	135,646
Cash and cash equivalents	4.18	837,650	223,026	570,503	119,102
Total current assets		19,781,600	17,523,901	15,363,775	14,067,216
Total assets		32,025,571	29,300,192	27,515,094	25,815,561
Equity and Liabilities					
Equity					
Stated capital	4.19	425,297	425,297	425,297	425,297
Other components of equity	4.21	4,077,499	4,055,979	4,057,375	4,052,680
Revenue reserves	4.20	7,476,214	7,259,568	6,186,760	5,890,962
Equity attributable to owners of the Company		11,979,010	11,740,844	10,669,432	10,368,939
Non-controlling interests	4.12.4	369,921	339,607	-	-
Total equity		12,348,931	12,080,451	10,669,432	10,368,939
Long-term borrowings	4.22.1	290,206	490,180	290,000	490,180
Lease liabilities	4.22.3	418,857	6,886	395,875	-
Employee benefits	4.23	774,909	736,445	705,369	686,890
Deferred tax liabilities	4.24	1,677,504	1,809,338	1,677,460	1,809,338
Contract liabilities	4.25.1	97,155	76,992	54,478	29,578
Total non-current liabilities		3,258,631	3,119,841	3,123,182	3,015,986
Trade payables	4.27	2,601,473	1,905,473	2,213,340	1,482,480
Other current liabilities	4.28	1,842,838	1,748,399	1,131,416	1,205,538
Current portion of long-term borrowings	4.22.1	202,272	354,044	200,892	351,363
Current portion of lease liabilities	4.22.3	80,990	7,040	57,096	-
Current portion of contract liabilities	4.25.1	706,666	684,978	335,690	418,591
Current portion deferred income	4.25.2	184,224	66,615	184,224	66,615
Current tax liability	4.29	5,341	43,411	-	-
Short-term borrowings	4.22.2	10,794,205	9,289,940	9,589,899	8,715,598
Amounts due to related parties	4.30.1	-	-	9,923	190,451
Total current liabilities		16,418,009	14,099,900	13,722,480	12,430,636
Total liabilities		19,676,640	17,219,741	16,845,662	15,446,622
Total equity and liabilities		32,025,571	29,300,192	27,515,094	25,815,561
Net assets per share		1,349.53	1,322.70	1,201.99	1,168.14

Certification

These Financial Statements as set out on pages 70 to 130 have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

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

Member
- Group Management Committee

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

Signed for and on behalf of the Board,

A.R. Pandithage
Chairman/Managing Director

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

29th May 2020
Colombo

The Notes appearing on pages 76 to 130 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Note	Stated Capital	Other Components of Equity: Revaluation Reserve	Other Components of Equity: Fair value Reserve	Other Components of Equity: Foreign Currency Translation Reserve	Revenue Reserves: General Reserve	Revenue Reserves: Retained Earnings	Non-Controlling Interests	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group									
As at 01st April 2018		425,297	4,042,268	6,992	1,702	5,167,290	2,101,610	304,203	12,049,362
Impact of adoption of SLFRS 15		-	-	-	-	-	(80,347)	-	(80,347)
Adjusted balance as at 01st April 2018		425,297	4,042,268	6,992	1,702	5,167,290	2,021,263	304,203	11,969,015
Capital contribution from non-controlling interest		-	-	-	-	-	-	9,494	9,494
Profit for the year		-	-	-	-	-	51,307	25,376	76,683
Other comprehensive income, net of tax		-	-	(1,462)	6,479	-	8,769	534	14,320
Total comprehensive income		-	-	(1,462)	6,479	-	60,076	25,910	91,003
Transactions with owners of the Company contributions and distributions									
Increase in net assets of DIMO Coastline (Pvt) Ltd		-	-	-	-	-	10,939	-	10,939
Transfer during the year		-	-	-	-	225,000	(225,000)	-	-
Total contributions and distributions		-	-	-	-	225,000	(214,061)	-	10,939
As at 31st March 2019		425,297	4,042,268	5,530	8,181	5,392,290	1,867,278	339,607	12,080,451
As at 01st April 2019		425,297	4,042,268	5,530	8,181	5,392,290	1,867,278	339,607	12,080,451
Capital contribution from non-controlling interest		-	-	-	-	-	-	19,727	19,727
Profit for the year		-	-	-	-	-	195,011	6,133	201,144
Other comprehensive income, net of tax		-	-	(527)	22,047	-	43,826	4,454	69,800
Total comprehensive income		-	-	(527)	22,047	-	238,837	10,587	270,944
Transactions with owners of the Company contributions and distributions									
Dividends to equity owners									
2018/19 Final dividend		-	-	-	-	-	(22,191)	-	(22,191)
Total contributions and distributions		-	-	-	-	-	(22,191)	-	(22,191)
As at 31st March 2020		425,297	4,042,268	5,003	30,228	5,392,290	2,083,924	369,921	12,348,931
Company									
As at 01st April 2018		425,297	4,042,268	6,971	(85)	4,779,464	1,369,250	-	10,623,165
Impact of adoption of SLFRS 15		-	-	-	-	-	(55,483)	-	(55,483)
Adjusted balance as at 01st April 2018		425,297	4,042,268	6,971	(85)	4,779,464	1,313,767	-	10,567,682
Total Comprehensive Income									
Loss for the year		-	-	-	-	-	(213,323)	-	(213,323)
Other comprehensive income, net of tax		-	-	(1,514)	5,040	-	115	-	3,641
Total comprehensive income		-	-	(1,514)	5,040	-	(213,208)	-	(209,682)
Transactions with owners of the Company contributions and distributions									
Increase in net assets of DIMO Coastline (Pvt) Ltd		-	-	-	-	-	10,939	-	10,939
Transfer during the year		-	-	-	-	150,000	(150,000)	-	-
Total contributions and distributions		-	-	-	-	150,000	(139,061)	-	10,939
As at 31st March 2019		425,297	4,042,268	5,457	4,955	4,929,464	961,498	-	10,368,939
As at 01st April 2019		425,297	4,042,268	5,457	4,955	4,929,464	961,498	-	10,368,939
Total Comprehensive Income									
Profit for the year		-	-	-	-	-	267,721	-	267,721
Other comprehensive income, net of tax		-	-	(518)	5,213	-	50,268	-	54,963
Total comprehensive income		-	-	(518)	5,213	-	317,989	-	322,684
Transactions with owners of the Company contributions and distributions									
Dividends to equity owners									
2018/19 Final dividend		-	-	-	-	-	(22,191)	-	(22,191)
Total contributions and distributions		-	-	-	-	-	(22,191)	-	(22,191)
As at 31st March 2020		425,297	4,042,268	4,939	10,168	4,929,464	1,257,296	-	10,669,432

The General Reserve and Retained Earnings represent reserves available for distribution.
Fair value Reserve consists of net unrealised gains/(losses) arising from fair valuation of Equity Securities designated at FVOCI, excluding the impact arising from impairment of assets.
Figures in brackets indicate deductions.
The Notes appearing on pages 76 to 130 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cash Flows from Operating Activities					
Profit/(Loss) before taxation		279,527	104,119	320,595	(262,221)
Adjustments for					
Depreciation on property, plant and equipment	4.9	417,575	410,601	354,240	362,402
Amortisation of intangible assets and lease rentals paid in advance	4.5	7,692	9,577	7,692	9,577
Amortisation of right of use assets	4.10	117,985	-	95,222	-
Reversal of impairment of investments in subsidiaries	4.12.2	-	-	-	(137)
Gains on sale of property, plant and equipment	4.3	(14,022)	(18,079)	(10,581)	(12,650)
De-recognition of capital work-in-progress	4.9	64,887	178	64,542	178
Interest expenses	4.4	1,390,042	1,525,864	1,245,260	1,455,855
Interest income	4.4	(37,588)	(107,719)	(39,542)	(104,866)
Dividend income	4.3	(292)	(167)	(22,399)	(167)
Share of loss of equity-accounted investee, net of tax	4.12.5	16,334	30,663	16,334	30,663
Provision for impairment of trade receivables	4.5	323,472	177,810	245,022	185,283
Provision for slow moving inventories	4.5	69,619	14,122	19,336	9,039
Provision for employee benefits obligation excluding actuarial gain	4.5.1	141,479	124,336	128,512	112,185
		2,776,710	2,271,305	2,424,233	1,785,141
Changes in working capital					
Decrease in inventories		282,979	1,186,466	377,906	1,631,255
Increase in trade and other receivables		(1,868,958)	(1,154,118)	(1,096,874)	(551,724)
Increase in other current assets		(490,712)	(706,509)	(487,605)	(794,485)
Decrease/(increase) in amounts due from related parties		403	(8,344)	(14,185)	(22,221)
Increase/(decrease) in trade payables		696,000	(1,068,730)	730,860	(1,013,448)
Increase/(decrease) in other current liabilities		126,328	187,157	(42,234)	32,131
Increase/(decrease) in deferred Income		117,609	(194,628)	117,609	(51,181)
Increase/(decrease) in contract liabilities		41,851	674,676	(58,001)	390,809
Decrease in amounts due to related parties		-	-	(180,528)	(329,267)
Cash generated from operating activities		1,682,210	1,187,275	1,771,181	1,077,010
Interest paid		(1,417,767)	(1,494,678)	(1,272,985)	(1,410,461)
Employee benefits paid	4.23	(42,145)	(37,127)	(40,216)	(34,357)
Income tax paid	4.29	(310,873)	(281,934)	(146,988)	(178,226)
Net cash (used in)/from operating activities		(88,575)	(626,464)	310,992	(546,034)
Cash Flows from Investing Activities					
Net proceeds from sale of property, plant and equipment		22,788	45,388	12,877	18,920
Dividends received		201	104	22,308	104
Interest received		37,588	104,207	39,542	89,798
Investment in subsidiary		-	-	(50,176)	(40,218)
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	(433,472)	(502,011)	(350,726)	(391,023)
Acquisition of intangible assets	4.11	(5,100)	(7,738)	(5,100)	(7,738)
Net cash used in investing activities		(377,995)	(360,050)	(331,275)	(330,157)

For the year ended 31st March	Note	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cash Flows from Financing Activities					
Capital contribution from non-controlling interest of a newly incorporated subsidiary		19,727	9,494	-	-
Proceeds from long-term borrowings	4.22.1.1	-	600,000	-	600,000
Repayment of long-term borrowings	4.22.1.1	(351,055)	(350,758)	(349,960)	(349,960)
Net movement of short-term borrowings		1,663,614	999,926	1,020,230	826,260
Repayment of lease liabilities		(65,786)	(13,013)	(30,773)	-
Dividends paid	4.20	(22,191)	-	(22,191)	-
Net cash from financing activities		1,244,309	1,245,649	617,306	1,076,300
Net increase in cash and cash equivalents		777,739	259,135	597,023	200,109
Cash and cash equivalents as at 01st April		(74,447)	(335,995)	(131,940)	(332,049)
Effect of exchange rate changes on cash and cash equivalents		(3,766)	2,413	307	-
Cash and cash equivalents as at 31st March (Note-A)		699,526	(74,447)	465,390	(131,940)
Note - A					
Analysis of Cash and cash equivalents as at 31st March					
Cash and bank balances	4.18	837,650	223,026	570,503	119,102
Bank overdrafts	4.22.2	(138,124)	(297,473)	(105,113)	(251,042)
Cash and cash equivalents		699,526	(74,447)	465,390	(131,940)

Figures in brackets indicate deductions.

The Notes appearing on pages 76 to 130 form an integral part of these Financial Statements.

SECTION 2 - CORPORATE INFORMATION

This section gives a description of the reporting entity, its subsidiaries and joint venture

2.1 REPORTING ENTITY

The Reporting Entity is Diesel & Motor Engineering PLC (the 'Company') which is a public limited liability Company, incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the company is located at No. 65, Jetawana Road, Colombo 14.

The ordinary shares of the Company are listed at the Colombo Stock Exchange.

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

2.2 PRINCIPAL BUSINESS ACTIVITIES AND NATURE OF OPERATIONS

The principal place of business and business activities of the Company, subsidiaries and the joint venture are as follows:

Entity	Principal place of business	Principal Business Activities
The Company		
Diesel & Motor Engineering PLC	Sri Lanka	Import, sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, agri machinery, earth moving machinery, car parking systems, power tools, import and sale of vehicle spares, components, Consumer products, accessories, lamps, batteries, providing lighting solutions and storage systems, import, Power engineering, repack and distribution of fertiliser.
Subsidiaries		
DIMO (Private) Limited	Sri Lanka	Sale, after sales and solutions in the business domains of bio-medical engineering, power engineering, building technologies, civil engineering, elevators and escalators, industrial refrigeration systems, marine & rail propulsion and fluid management systems.
DIMO Travels (Private) Limited	Sri Lanka	Provision of transportation facilities.
DIMO Industries (Private) Limited	Sri Lanka	Import and sale of tyres.
PlantChem (Private) Limited	Sri Lanka	Import re-packing and sales of pesticides, ,fungicides, insecticides, herbicides, plant growth regulators, compound fertilisers and liquid fertilisers.
Plant Seeds (Private) Limited	Sri Lanka	Import and sale of hybrid seeds and produce, process and distribution of seed paddy, hybrid seeds and vegetable seeds
DIMO Lanka Company Limited	Republic of the Union of Myanmar	Acts as the investing arm of Diesel and Motor Engineering PLC in Myanmar. Currently carries out operation of automobile after service and repair through its subsidiary, United Dimo Company Limited.
United DIMO Company Limited	Republic of the Union of Myanmar	Sale of automobiles, automobile repair and servicing.
Joint venture		
DIMO Coastline (Private) Limited	Republic of Maldives	Marine and general engineering including repair and service of marine craft, marine engines, generators, turbines, pumps and boilers.

The country of incorporation of the above companies is the same country where the principal place of business is domiciled.

During the year, the company opened a branch in Republic of Uganda and its' principal business activity is providing power engineering solutions.

More details of the Group is available in the group structure on page 19.

SECTION 3 - BASIS OF ACCOUNTING

This section covers the basis of preparation of Financial Statements including policies, assumptions, judgements, estimates, and adoption of Sri Lanka Accounting Standards (SLFRSs/LKASs). Accounting policies and basis for judgements and estimates that are specific to notes in section 4, is given in the relevant note.

3.1 STATEMENT OF COMPLIANCE

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE). The SLFRSs and LKASs are available at www.casrilanka.com.

This is the first set of the Group's annual consolidated financial statements to which SLFRS 16 Leases have been applied. Changes to significant accounting policies due to adoption of this standard are described in Note 3.8.

3.2 BASIS OF PREPARATION

Basis of Measurement

The Financial Statements of the Group/Company have been prepared on historical cost basis, except for following;

Item	Basis of measurement	Note
Freehold land	Initially measured at cost and subsequently at revalued amounts which are the fair values at the date of revaluation.	4.9
Equity instruments at FVOCI	Fair value	4.14
Defined benefit obligation	Actuarially valued and recognised at present value	4.23

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

3.3 GOING CONCERN

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

With the onset of COVID-19 in Sri Lanka and the consequent business and movement restrictions, the Group's operations were adversely affected from the second half of the month of March 2020. During this time only the Group's Agriculture Segment functioned as a revenue generating operation, though with limitations. Medical engineering - after care and automobile aftercare operations functioned in a limited way to support government's essential services. With the relaxation of curfew from 20th April 2020, other than in the Western Province and Puttalam District, operations commenced in the permitted districts. This resulted in a pick- up in Group Turnover that was affected due to the curfew and speed up further with the opening of the remaining four districts. The operations in Myanmar, Maldives and Uganda were also affected by the restrictions imposed and are expected to pick up shortly when these countries return their journey towards normalcy.

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated post-lockdown economic implications on the group of companies and the appropriateness of the use of the going concern basis. The management performed multiple stress tested scenarios considering cost management practices, cash reserves, ability to secure additional funding to finance the adverse effect to the cash flow, ability to secure supplies, expected revenue streams, credit and collection management practices and ability to defer non-essential capital expenditure. Unutilised bank facilities of the Group as at 31st March 2020 are disclosed in Note 4.22.2.

With the relaxation of movement restrictions and gradual restoration of business activities, the company is expected to return to its normal level of activities by the end of second quarter. Based on the information currently available, supply side constraints are also expected to improve during the second quarter.

After due consideration of risks and likelihood of outcomes, the Board of Directors is satisfied that the Company, its subsidiaries and joint venture have adequate liquidity and business plans to continue to operate the business and mitigate the risks connected to the lockdown for the next 12 months from the date of this report.

SECTION 3 - BASIS OF ACCOUNTING

3.4 FUNCTIONAL AND PRESENTATION CURRENCY

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the currency of the primary economic environment in which the reporting entity operates. Each entity of the Group uses the currency of the primary economic environment in which it operates as its functional currency.

The subsidiaries and equity-accounted investees whose functional currency is different from the presentation currency is given below.

Name of the Entity	Country of Domicile	Functional Currency
DIMO Lanka Company Limited	Republic of the Union of Myanmar	Burmese kyat
United DIMO Company Limited	Republic of the Union of Myanmar	Burmese kyat
DIMO Coastline (Private) Limited	Republic of Maldives	United States Dollar

3.5 MATERIALITY, AGGREGATION, OFFSETTING AND ROUNDING

Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are treated immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 1 on 'Presentation of Financial Statements'.

Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

Notes to the Financial Statements are presented in a systematic manner that ensures the understandability and comparability of Financial Statements.

Offsetting

Assets and liabilities or income and expenses are not set off unless required or permitted by a Sri Lanka Accounting Standard.

Rounding

Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless indicated otherwise.

3.6 COMPARATIVE INFORMATION

The presentation and classification of the financial statements of the previous years have been amended, where relevant, for better presentation and to be comparable with those of the current year.

3.7 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant judgements, estimates and assumptions made by management in preparing of these consolidated financial statements are described in following notes.

Accounting Policies	Note
Revenue Recognition	4.1
Impairment of non financial assets	3.10.3
Current tax & deferred tax asset	4.29
Useful life time of Property, plant and equipment	4.9
Provision for impairment of trade receivables	4.16
Employee benefits	4.23
Provisions and contingent liabilities	4.26
Acquisition of subsidiary	4.12

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

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

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

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

Collectively assessed allowance for expected credit losses

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

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

3.8 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The nature and effect of the changes arising from adoption of the new SLFRS 16, Leases which are effective for the annual reporting periods beginning on or after 1st January 2019, are described in 3.8.1 below. Except for changes arising from adoption of this standard, the Group has consistently applied the accounting policies as set out in pages 76 to 130, to all periods presented in these consolidated financial statements.

3.8.1 SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. lessee and lessor. SLFRS 16 supersedes Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations, SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The Group has adopted SLFRS 16 using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. At the date of adoption, right of use was recognized as amount equal to the lease liability, adjusted by the amount of prepaid lease rentals.

Under this method, the standard is applied retrospectively and the cumulative effect as at initial date of application of the standard i.e 1 April 2019 has been duly adjusted. The Group elected to use the transitional practical expedient to not reassess whether an existing contract forms a lease as at 1st April 2019, under the definitions provided in the standard. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

The contracts which were previously classified as "operating leases" under the principles of LKAS 17 -Leases, have been recognize as "right-of-use assets" with the adoption of SLFRS 16 -Leases.

The following table summarises the impact of transition to SLFRS 16 as at 01st April 2019;

	Impact of adopting SLFRS 16 as at 01st April 2019	
	Group	Company
	Rs.'000	Rs.'000
Right-of-use assets – recognised through lease prepayments and lease liability	553,401	514,629
Lease liabilities	497,942	460,863
Retained earnings	-	-

When measuring lease liabilities for leases that were classified previously as operating leases, the Group discounted future lease payments due as of 1 April 2019 using the incremental borrowing rate as at 1 April 2019. The rate applicable was 12.48%.

	Impact of adopting SLFRS 16 as at 01st April 2019	
	Group	Company
	Rs.'000	Rs.'000
Operating lease commitments at 31March 2019 as disclosed under LKAS 17 in the Group's consolidated financial statements	64,430	49,994
Discounted using the incremental borrowing rate as at 1 April 2019	12.48%	12.48%
Recognition exemption for leases	(10,125)	(10,125)
Lease liabilities recognised at 1 April 2019	497,942	460,863

The adoption of SLFRS 16 had no impact on Group's/Company's retained earnings. The details of right-of-use assets are given in note 4.10 to the financial statements.

SECTION 3 - BASIS OF ACCOUNTING

3.9 SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies are presented along with the relevant individual notes to the consolidated financial statements.

Those accounting policies presented with each note, have been applied consistently by the Group to the all periods presented except for the changes of the Accounting policies due to the adoption of SLFRS 16.

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

3.10 OTHER SIGNIFICANT ACCOUNTING POLICIES NOT COVERED WITH INDIVIDUAL NOTES

Following accounting policies, which have been applied consistently by the Group, are considered to be significant, and are not covered under individual notes in section 4.

3.10.1 Basis of consolidation

The Group's Financial Statements comprise Consolidated Financial Statements of the Company and its subsidiaries prepared as per the Sri Lanka Accounting Standard-SLFRS 10 on 'Consolidated Financial Statements'.

Subsidiaries

Subsidiaries are investees that are controlled by the Company. The Company 'Controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date the Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control mentioned above. The Financial Statements of all the subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

A list of the Group's subsidiaries is set out in Note 4.12.1 to the Financial Statements.

The Financial Statements of the parent company and subsidiaries are prepared to a common financial year ending 31st March, using uniform accounting policies.

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

Non-controlling interests

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

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

Loss of Control

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

Business combination

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

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

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

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

Transactions eliminated on consolidation

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

3.10.2 Foreign currency

Transactions and balances

Transactions in foreign currencies are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

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

Foreign currency differences are recognised in the Statement of Profit or Loss. However, foreign currency differences arising from equity securities designated as FVOCI (except foreign currency differences relating to impairment) are recognised in Other Comprehensive income (OCI).

Share capital denominated in a currency other than the functional currency is initially converted using the exchange rate as at date of issue but is not re-translated.

Foreign operations

The results and financial position of entities whose functional currency is not Sri Lankan Rupee has been translated into Sri Lankan Rupees as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average exchange rates for the period.

(iii) Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

3.10.3 Impairment of non-financial assets

The carrying amount of all non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

The 'recoverable amount' of an asset is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in Profit or Loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss recognised in prior years.

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

SECTION 3 - BASIS OF ACCOUNTING

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

Due to the temporary ceasing of operations because of the lockdown in the country , property, plant and equipment (PPE) is under-utilised or not utilised for a period and capital work – in - progress is suspended. It is also possible that carrying value of property plant and equipment may get affected. But with the following judgements, the management has concluded that no impairment is required on PPE at the reporting date:

- The Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19 pandemic for the next 12 months from the date of this report. Therefore, currently, the Group/Company does not have an intention to discontinue any operation to which an asset belongs or plans to dispose of an asset before the previously expected date. Thus, there will be no change in the manner in which the asset is used or is expected to be used
- Whilst the Group/Company experienced disruptions in supplies due to cross broader closing and country lockdown, the ability to meet the demand of customers is not impaired to an extent that warrants a reduction of assets in use.

3.10.3.2. Right to use of assets

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

3.10.3.3. Goodwill Impairment

The Board is of the view that a need does not exist for impairment of goodwill that arose due to acquisition of PlantSeeds (Pvt) Ltd. during the financial year 2017/18, as the business continuity plan and the continuation of the agriculture related activity has not seriously affected its future cash flows, despite the COVID-19 related lockdown.

3.10.4 Statement of cash flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with Sri Lanka Accounting Standard-LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 4.18 and 4.22.2.

3.11 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

New or amended Standards	Summary of the requirements	Possible impact on Financial Statements
Amendments to SLFRS 3: Definition of a Business	The amendments to the definition of a business in SLFRS 3 “Business Combinations” have been made to help the entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test. The amendments are applied prospectively for the annual periods beginning on or after 1st January 2020 with early application permitted.	The Group is assessing the potential impact on its Financial Statements resulting from the application of Amendments to Sri Lanka Accounting Standard - SLFRS 3. This amendment is not expected to have a significant impact on the Financial Statements of the Group.
Amendments to LKAS 1 and LKAS 8: Definition of Material	The amendments LKAS 1 “Presentation of Financial Statements” and LKAS 8 “Accounting policies, Changes in accounting Estimates and Errors” align the definition of “material” across the standard and clarify certain aspects of the definition. The new definition states that, “information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are applied prospectively for the annual periods beginning on or after 1st January 2020 with early application permitted.	The Group is assessing the potential impact on its Financial Statements resulting from the application of Amendments to LKAS 1 and LKAS 8. This amendment is not expected to have a significant impact on the Financial Statements of the Group.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

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

4.1 REVENUE

Accounting Policy

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

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

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

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, usually on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates). The Group/Company estimate an amount of variable consideration by using the expected value method which is the sum of probability weighted amounts in a range of possible considerations.

Rendering of services

Revenue from rendering of services is recognised when the Group/ Company satisfies all performance obligations by transferring a promised service to a customer.

Construction related contracts

Revenue from construction related contracts is recognised upon satisfaction of a performance obligation agreed in the contract. At contract inception, the Group/Company determines whether it satisfies the performance obligation over time or at a point in time. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

The progress is assessed based on surveys of work performed . When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Service support income

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

4.1.1 Disaggregation of revenue from contracts with customers

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

4.1.1.1. Revenue by nature

For the year ended 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Revenue Source				
Sale of goods	26,504,259	33,491,449	23,879,608	30,961,805
Rendering of services	2,174,997	1,839,245	1,970,751	1,801,457
Constructions related contracts	5,725,600	2,781,409	2,690,962	688,977
Service support income	153,015	188,247	71,454	86,590
Total revenue	34,557,871	38,300,350	28,612,775	33,538,829

Revenue by Nature - Group

Revenue by Nature - Company

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.1.1.2. Timing of revenue recognition

For the year ended 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Revenue recognised at a point in time	28,832,271	35,518,941	25,921,813	32,849,852
Revenue recognised over time	5,725,600	2,781,409	2,690,962	688,977
	34,557,871	38,300,350	28,612,775	33,538,829

4.1.2 Reconciliation of revenue

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

For the year ended 31 March	Group - 2020				
	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle - Sales	13,670,681	109,725	-	2,189	13,782,595
Vehicle - After Services	3,237,522	1,410,899	-	-	4,648,421
Marketing and Distribution	4,028,242	29,375	1,019,821	-	5,077,438
Construction and Material Handling Equipment	835,127	532,824	223,173	15,379	1,606,503
Agriculture	3,527,860	4,014	-	-	3,531,874
Electro-Mechanical, Bio-Medical and Marine Engineering	1,204,827	88,160	4,482,606	135,447	5,911,040
	26,504,259	2,174,997	5,725,600	153,015	34,557,871

For the year ended 31 March	Company - 2020				
	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle - Sales	13,670,681	109,725	-	2,189	13,782,595
Vehicle - After Services	3,238,324	1,209,746	-	-	4,448,070
Marketing and Distribution	3,931,339	29,375	1,016,003	-	4,976,717
Construction and Material Handling Equipment	849,692	532,824	223,173	15,379	1,621,068
Agriculture	2,100,586	-	-	-	2,100,586
Electro-Mechanical, Bio-Medical and Marine Engineering	88,986	89,081	1,451,786	53,886	1,683,739
	23,879,608	1,970,751	2,690,962	71,454	28,612,775

For the year ended 31 March	Group - 2019				
	Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle - Sales	20,109,851	206,528	-	1,370	20,317,749
Vehicle - After Services	3,102,009	1,142,537	-	-	4,244,546
Marketing and Distribution	3,969,672	28,174	408,245	-	4,406,091
Construction and Material Handling Equipment	1,162,589	458,676	277,200	85,220	1,983,685
Agriculture	4,149,328	3,330	-	-	4,152,658
Electro-Mechanical, Bio-Medical and Marine Engineering	998,000	-	2,095,964	101,657	3,195,621
	33,491,449	1,839,245	2,781,409	188,247	38,300,350

For the year ended 31 March	Company - 2019 Sale of goods Rs.'000	Rendering of services Rs.'000	Constructions related contracts Rs.'000	Service support income Rs.'000	Total Rs.'000
Vehicle - Sales	20,109,941	206,528	-	1,370	20,317,839
Vehicle - After Services	3,102,554	1,104,259	-	-	4,206,813
Marketing and Distribution	3,775,156	28,664	411,777	-	4,215,597
Construction and Material Handling Equipment	1,181,894	458,676	277,200	85,220	2,002,990
Agriculture	2,792,260	3,330	-	-	2,795,590
	30,961,805	1,801,457	688,977	86,590	33,538,829

4.1.3 Contract balances

4.1.3.1. Contract Liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unprovided free services relating to vehicle sales.

The Group/Company applies the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component for contract liabilities if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service is one year or less.

Details of contract liabilities and amount recognised during the year as revenue are disclosed in Note 4.25.1.

4.2 OPERATING SEGMENTS

Accounting Policy

The operating business segments are organised and managed separately according to the nature, risks and returns.

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

The Group has the following six strategic business segments which are reportable segments, namely:

Reportable segments	Operations
Vehicles -Sales	Sale of brand new passenger vehicles, commercial vehicles, special purpose vehicles and pre-owned passenger vehicles.
Vehicles -After Services	Repair and service of vehicles included in the vehicle-sales segment, sale of franchised vehicle spare parts, accessories and components.
Marketing and Distribution	Sale and service of power tools and accessories, lamps, lighting controls, switchgear, Consumer products, 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.
Agriculture	Import, sale and after sales services of agri machinery, import, processing and distribution of agro chemicals, seeds and fertilizer, import producing, processing and sale of agricultural seeds.
Electro-Mechanical, Bio-Medical and Marine Engineering	Sale, after sales and solutions in the business domains of bio-medical engineering, generating sets, elevators and escalators, diesel engines for marine propulsion and rail traction, building management systems, fluid management systems, industrial refrigeration systems and power engineering equipment and systems.

Inter-segment transactions are carried in the ordinary course of business. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

Finance income and expenses and income taxes are managed on a Group basis and are not allocated to operating business segments.

Sales to any single customer does not represent more than 10% of the total sales and no segments are determined based on the geographical area.

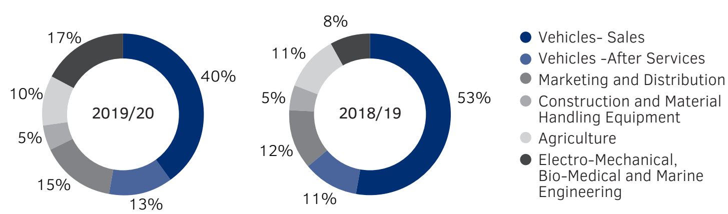
SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Segmental Results, Assets and Liabilities

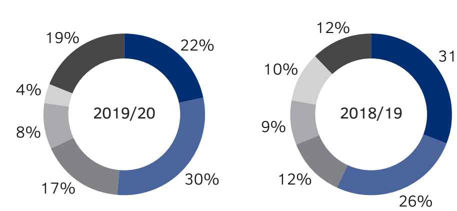
Group

	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Agriculture		Electro-Mechanical, Bio-Medical and Marine Engineering		Total	
For the year ended 31st March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Business Segment Turnover and Results														
Total segment revenue	13,818,825	20,357,356	5,374,676	5,034,409	5,208,673	4,531,758	1,683,999	2,058,066	3,600,938	4,259,998	6,079,403	3,265,540	35,766,514	39,507,127
Inter-segment revenue	(36,230)	(39,607)	(726,255)	(789,863)	(131,235)	(125,667)	(77,496)	(74,381)	(69,064)	(107,340)	(168,363)	(69,919)	(1,208,643)	(1,206,777)
Total external revenue	13,782,595	20,317,749	4,648,421	4,244,546	5,077,438	4,406,091	1,606,503	1,983,685	3,531,874	4,152,658	5,911,040	3,195,621	34,557,871	38,300,350
Segment results	658,753	968,084	867,452	805,976	485,924	378,626	249,739	263,190	123,643	306,860	546,435	365,684	2,931,946	3,088,420
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	158,588	170,093
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,658,634)	(1,804,796)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	237,669	176,266
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(1,390,042)	(1,525,864)
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	(78,383)	(27,436)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	201,144	76,683
Business Segment Assets and Liabilities														
Segment assets	4,083,218	5,054,981	2,020,553	1,751,390	3,500,838	2,709,672	1,189,454	1,170,615	3,160,824	3,166,584	6,021,157	3,526,022	19,976,044	17,379,264
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	12,049,527	11,920,928
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	32,025,571	29,300,192
Segment liabilities	6,040,450	4,609,465	1,157,614	1,052,004	1,696,440	577,086	317,617	252,427	2,070,262	1,971,985	1,426,314	617,437	12,708,697	9,080,404
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	6,967,943	8,139,337
Equity	-	-	-	-	-	-	-	-	-	-	-	-	12,348,931	12,080,451
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	-	-	32,025,571	29,300,192
Other Information														
Capital expenditure	16,589	12,997	46,246	45,210	39,257	75,872	25,719	32,749	88,274	104,788	198,160	64,534	414,245	336,150
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	24,327	173,599
Depreciation and amortisation	39,859	40,189	97,259	109,246	16,695	13,502	11,328	10,911	50,795	46,055	19,411	13,854	235,347	233,757
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	189,920	186,421

Segment Revenue - Group



Segment Results - Group

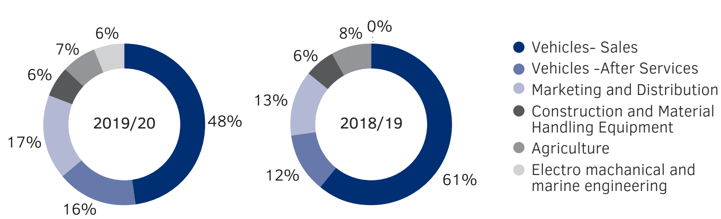


Segmental Results, Assets and Liabilities

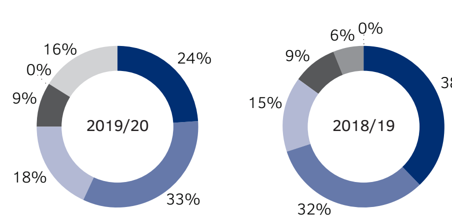
Company

For the year ended 31st March	Vehicles - Sales 2020 Rs.'000	Vehicles - Sales 2019 Rs.'000	Vehicles - After Services 2020 Rs.'000	Vehicles - After Services 2019 Rs.'000	Marketing and Distribution 2020 Rs.'000	Marketing and Distribution 2019 Rs.'000	Construction and Material Handling Equipment 2020 Rs.'000	Construction and Material Handling Equipment 2019 Rs.'000	Agriculture 2020 Rs.'000	Agriculture 2019 Rs.'000	Electro-Mechanical, Bio-Medical and Marine Engineering 2020 Rs.'000	Electro-Mechanical, Bio-Medical and Marine Engineering 2019 Rs.'000	Total 2020 Rs.'000	Total 2019 Rs.'000
Business Segment Turnover and Results														
Total segment revenue	13,818,825	20,357,316	5,167,769	4,994,376	5,092,218	4,323,723	1,683,999	2,077,371	2,168,469	2,866,789	1,685,036	-	29,616,316	34,619,575
Inter-segment revenue	(36,230)	(39,477)	(719,699)	(787,563)	(115,501)	(108,126)	(62,931)	(74,381)	(67,883)	(71,199)	(1,297)	-	(1,003,541)	(1,080,746)
Total external revenue	13,782,595	20,317,839	4,448,070	4,206,813	4,976,717	4,215,597	1,621,068	2,002,990	2,100,586	2,795,590	1,683,739	-	28,612,775	33,538,829
Segment results	658,753	968,084	905,711	823,068	478,474	381,749	249,739	237,182	4,205	143,602	444,653	-	2,741,535	2,553,685
Unallocated other income	-	-	-	-	-	-	-	-	-	-	-	-	260,032	174,589
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-	(1,653,417)	(1,714,561)
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	217,705	179,921
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	(1,245,260)	(1,455,855)
Income tax (expense)/ reversal	-	-	-	-	-	-	-	-	-	-	-	-	(52,874)	48,898
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	267,721	(213,323)
Business Segment Assets and Liabilities														
Segment assets	4,083,218	5,054,981	1,868,907	1,714,496	3,500,838	2,709,672	1,189,454	1,160,703	1,818,823	1,944,837	846,024	-	13,307,264	12,584,689
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	14,207,830	13,230,872
Total assets	-	-	-	-	-	-	-	-	-	-	-	-	27,515,094	25,815,561
Segment liabilities	6,040,450	4,609,465	1,095,595	1,052,004	1,696,440	576,433	317,617	250,899	1,291,600	1,237,943	246,674	-	10,688,376	7,726,744
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	6,157,286	7,719,878
Equity	-	-	-	-	-	-	-	-	-	-	-	-	10,669,432	10,368,939
Total equity and liabilities	-	-	-	-	-	-	-	-	-	-	-	-	27,515,094	25,815,561
Other Information														
Capital expenditure	16,589	12,997	46,246	42,139	39,257	75,872	25,719	32,749	3,493	74,326	186,008	-	317,312	238,083
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-	38,514	160,678
Depreciation and amortisation	39,859	40,189	97,259	106,859	16,695	8,630	11,328	10,911	16,172	13,625	6,042	-	187,355	180,214
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	174,577	191,765

Segment Revenue - Company



Segment Results - Company



SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.3 OTHER OPERATING INCOME/(EXPENSES)

Accounting Policy

Other operating income and expenses are recognised on an accrual basis. Other operating Income and expenses comprises disposal gains/losses on sale of property, plant and equipment, gain on bargain purchase through business combination, dividend income and sundry income.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted in the income statement, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Dividend income

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

Other Operating Income

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dividend income	292	167	22,399	167
Gains on sale of property, plant and equipment	14,022	18,079	10,581	12,650
Sundry income	144,274	151,847	227,052	161,772
	158,588	170,093	260,032	174,589

4.4 FINANCE INCOME AND COSTS

Accounting Policies

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

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement. Interest expense is recognised as it accrues using the effective interest rate (EIR).

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

Net Finance Costs

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income	37,588	107,719	39,542	104,866
Net foreign exchange gain	200,081	68,547	178,163	75,055
Finance income	237,669	176,266	217,705	179,921
Interest on long-term borrowings	(69,396)	(76,995)	(69,396)	(76,995)
Interest on short-term borrowings	(1,213,499)	(1,440,423)	(1,110,171)	(1,376,983)
Finance charges under operating and finance leases	(61,689)	(1,499)	(54,202)	-
Unwinding of significant financing component	(45,458)	(6,947)	(11,491)	(1,877)
Finance costs	(1,390,042)	(1,525,864)	(1,245,260)	(1,455,855)
Net finance costs recognised in profit or loss	(1,152,373)	(1,349,598)	(1,027,555)	(1,275,934)

4.5 PROFIT BEFORE TAX

Profit before tax is stated after charging the following:

For the year ended 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Directors' emoluments				
- Short-term employment benefits	369,373	407,402	327,815	364,645
- Post-employment benefits	52,039	65,279	48,327	58,319
Auditors' remuneration				
- Audit and audit-related services	6,161	5,347	3,989	3,845
- Non-audit services	2,699	1,196	1,673	767
Depreciation on property, plant and equipment	417,575	410,601	354,240	362,402
Amortisation of intangible assets and lease rentals paid in advance	7,692	9,577	7,692	9,577
Provision for impairment of trade receivables	323,472	177,810	245,022	185,283
Provision for slow moving inventories	69,619	14,122	19,336	9,039
Donations	2,906	2,867	2,392	2,790
Legal fees	19,308	18,565	18,691	16,345
Staff expenses (Note 4.5.1)	2,646,597	2,493,046	2,059,048	2,010,568

4.5.1 Staff Expenses

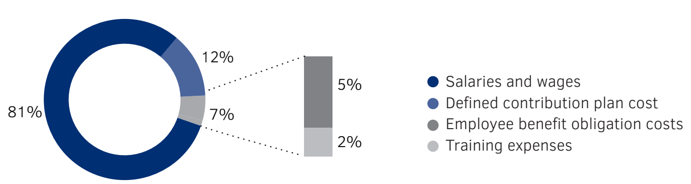
Accounting Policy

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

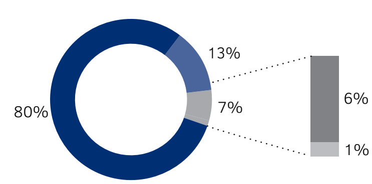
For the year ended 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Defined contribution plan cost	322,172	313,840	261,090	261,816
Employee benefit obligation costs (Note 4.23.1)	141,479	124,336	128,512	112,185
Training expenses	36,954	57,367	28,815	45,829
Salaries and wages	2,145,992	1,997,503	1,640,631	1,590,738
	2,646,597	2,493,046	2,059,048	2,010,568
Average number of employees for the year	1,939	1,906	1,544	1,557

The average number of employees is calculated by averaging the number of employees as at the year end in the current and previous year.

Staff Expenses - Group



Staff Expenses - Company



SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.6 TAXATION

Accounting Policy

Income tax expense for the year comprises current and deferred tax. It is recognised in Profit or Loss except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI).

Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted on the reporting date.

Accounting Estimate

The Group/Company recognises liabilities for anticipated tax, based on an estimate of taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

Deferred tax

A detail disclosure of accounting policies and estimate of deferred tax are available in Note 4.24.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

The income tax rates of Group and Companies are as follows:

Name of the Entity	Country of Domicile	Rate
Diesel & Motor Engineering PLC, DIMO (Private) Limited, DIMO Industries (Private) Limited, DIMO Travels (Private) Limited, PlantChem (Private) Limited and Plant Seeds (Private) Limited	Sri Lanka	28%
DIMO Lanka Company Limited, United DIMO Company Limited	Republic of the Union of Myanmar	25%

As per a Notice to tax payers and withholding agents on “Implementation of Proposed Changes to the Inland Revenue Act No. 24 of 2017” published on February 12, 2020 by the Department of Inland Revenue, Income Tax rates of Corporates have been revised to 24% from 28% effective from January 1, 2020, pending formal amendments to be made to the Inland Revenue Act . As legislation has not been passed yet to give effect to this announcement, income tax rates applicable prior to the announcement has been used for the financial year.

Income Tax Expense

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.‘000	Rs.‘000	Rs.‘000	Rs.‘000
Current Tax Expense				
Current tax on profit for the year (Note 4.6.1)	230,129	108,347	178,308	-
Under provision in respect of previous years	37,054	4,104	25,993	3,128
10% withholding tax on inter-company dividend	3,599	-	-	-
	270,782	112,451	204,301	3,128
Deferred Tax Expense				
Reversal of temporary differences (Note 4.6.2)	(192,399)	(85,015)	(151,427)	(52,026)
Total income tax expense/(Reversal)	78,383	27,436	52,874	(48,898)
Effective tax rate (%)-including deferred tax	28%	26%	16%	19%
Effective tax rate (%)-excluding deferred tax	97%	108%	64%	1%

4.6.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit/(Loss) before taxation	279,527	104,119	320,595	(262,221)
Disallowable expenses	1,858,867	1,466,726	1,463,859	1,235,130
Allowable expenses	(1,240,780)	(1,264,593)	(1,052,704)	(1,067,843)
Income not liable for tax	-	-	-	-
Set off against losses	(120,149)	(38,793)	(94,934)	-
Taxable income/(Loss)	777,465	267,459	636,816	(94,934)
Income tax				
Tax at 28%	230,129	108,347	178,308	-
Current tax on profit for the year	230,129	108,347	178,308	-

Current tax has been computed in accordance with the provisions of Inland Revenue Act No 24 of 2017.

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

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Statement of Profit or Loss (Note 4.24.2)	(192,399)	(85,015)	(151,427)	(52,026)
Other Comprehensive Income (Note 4.24.2)*	14,560	3,491	19,549	45
	(177,839)	(81,524)	(131,878)	(51,981)

*As per the Inland Revenue Act No.24 of 2017 that became effective from 01st April 2018, business assets will attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, a Rs. 1.6 billion deferred tax liability has been recognised at 28% on the gains recorded on revaluation of freehold land carried in these Financial Statements.

4.7 EARNINGS/(LOSS) PER SHARE-BASIC AND DILUTED

Accounting Policy-Measurement basis

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

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

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

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Profit/(Loss) attributable to ordinary shareholders (Rs.'000)	195,011	51,307	267,721	(213,323)
Weighted average number of ordinary shares	8,876,437	8,876,437	8,876,437	8,876,437
Earnings/(Loss) per ordinary share-basic and diluted (Rs.)	21.97	5.78	30.16	(24.03)

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.8 DIVIDENDS

For the year ended 31st March	Company 2020 Rs.'000	2019 Rs.'000
First and final dividend paid	22,191	-
	22,191	-
Dividend per share (Rs.)	2.50	-

No dividend was declared and paid to the shareholders of the Company for the Financial Year 2019/20 (A first and final dividend of Rs. 2.50 per share was declared by the board of directors on 25th May 2019 for the Financial Year 2018/19 and was paid in 2019/20, subject to a withholding tax of 10%).

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

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to recommending the first and final dividend for the Financial Year 2018/19. A statement of solvency completed and duly signed by the Directors on 25th May 2019 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 its cost of the asset can be measured reliably, in accordance with the Sri Lanka Accounting Standard - LKAS 16 on ''Property Plant and Equipment'.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (as explained under subsequent cost) . The cost of self-constructed assets include the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs that are directly attributable to the asset under construction.

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

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

Cost model

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

When an asset's carrying value is higher than it's recoverable amount, the carrying value is written down to its recoverable amount (Please refer Note 3.10.3 - Impairment of non-financial assets).

Revaluation model

The Group/Company applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Group policy is to revalue all freehold land by an independent professional valuer every three years or when there is a substantial difference between the fair value and the carrying amount.

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through Other Comprehensive Income or used to reverse a previous loss on revaluation of the same asset, which was charged to Profit or Loss. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in Profit or Loss or charged to revaluation reserve in equity through Other Comprehensive Income, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings upon disposal of the asset.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group and its cost can be measured reliably. The costs of day to day servicing of property, plant and equipment are expensed as incurred.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in Profit or Loss in the year the asset is derecognised.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the qualifying asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in Profit or Loss in the period in which they are incurred.

Capital work-in-progress

Capital work-in-progress is stated in the Statement of Financial Position at cost, including borrowing costs, less any accumulated impairment losses. Capital work-in-progress would be transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in Profit or Loss. Freehold land is not depreciated.

Depreciation of an asset begins from the date it is available for use or in respect of self constructed assets from the date that the asset is completed and ready for use. Depreciation ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

The estimated useful lives of PPE are as follows:

Class of Asset	Year
Buildings	36 - 40
Buildings on leasehold land	Over the remaining lease period
Plant and machinery	04-13
Tools and implements	03-04
Motor vehicles	03-04
Furniture and fittings	04-13
Office equipment and electrical fittings	04-10
Computer hardware and software	02-04

Residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted if appropriate.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Property, Plant and Equipment

Group

For the year ended 31st March	Freehold Land Rs.'000	Buildings and Premises Rs.'000	Buildings on Leasehold Land Rs.'000	Plant and Machinery Rs.'000	Tools and Implements Rs.'000	Motor Vehicles Rs.'000	Computer Hardware and Software Rs.'000	Electrical Fixtures, Fittings and Office Equipment Rs.'000	Total 2020 Rs.'000	Total 2019 Rs.'000
Cost or Revalued Amount										
At the beginning of the year	7,292,725	2,834,072	399,501	952,537	318,688	853,548	291,560	692,644	13,635,275	13,281,437
Additions	60	958	67,928	156,124	17,605	53,737	16,699	12,833	325,944	326,629
Transferred from capital work-in-progress	-	7,962	47,947	87,629	20	11,818	641	15,475	171,492	115,200
Disposals	-	-	-	(7,721)	(8,535)	(25,708)	(1,267)	(10,907)	(54,138)	(87,736)
Transfers from Intangible Assets	-	-	-	-	-	-	420	-	420	-
Effect of movements in exchange rates	-	-	4,675	2,111	444	387	295	688	8,600	(255)
At the end of the year	7,292,785	2,842,992	520,051	1,190,680	328,222	893,782	308,348	710,733	14,087,593	13,635,275
Depreciation										
At the beginning of the year	-	443,278	167,033	400,847	270,192	558,489	225,978	334,927	2,400,744	2,050,596
Charge for the year	-	72,593	30,823	76,305	25,942	117,653	29,877	64,382	417,575	410,601
On disposals	-	-	-	(2,558)	(8,344)	(25,708)	(981)	(7,521)	(45,112)	(60,429)
Transfers from Intangible Assets	-	-	-	-	-	-	420	-	420	-
Effect of movements in exchange rates	-	-	559	192	132	88	96	81	1,148	(24)
At the end of the year	-	515,871	198,415	474,786	287,922	650,522	255,390	391,869	2,774,775	2,400,744
Carrying amount before capital work-in-progress	7,292,785	2,327,121	321,636	715,894	40,300	243,260	52,958	318,864	11,312,818	11,234,531
Capital work-in-progress at cost										
At the beginning of the year	2,571	122,559	71,757	87,471	-	-	216	5,413	289,987	221,689
Additions	2,416	21,477	24,786	56,329	20	11,818	7,587	13,979	138,412	183,806
Transferred to PPE	-	(7,962)	(47,947)	(87,629)	(20)	(11,818)	(641)	(15,475)	(171,492)	(115,200)
Derecognition	-	(301)	(762)	(63,798)	-	-	-	(26)	(64,887)	(178)
Transfers	-	-	(44,079)	44,016	-	-	-	63	-	-
Effect of movements in exchange rates	-	-	1,959	15	-	-	-	7	1,981	(130)
At the end of the year	4,987	135,773	5,714	36,404	-	-	7,162	3,961	194,001	289,987
Carrying amount as at 31st March 2020	7,297,772	2,462,894	327,350	752,298	40,300	243,260	60,120	322,825	11,506,819	
Carrying amount as at 31st March 2019	7,295,296	2,513,353	304,225	639,161	48,496	295,059	65,798	363,130		11,524,518

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2019/20 (2018/19 – Nil).

Carrying Value of Property, Plant and Equipment

Company

For the year ended 31st March	Freehold Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total 2020	Total 2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost or Revalued Amount										
At the beginning of the year	7,256,428	2,824,049	328,279	888,339	302,545	720,150	257,091	652,252	13,229,133	12,921,395
Additions	-	958	-	230,635	9,326	30,201	11,076	9,162	291,358	247,378
Transferred from capital work-in-progress	-	7,962	7,465	8,333	20	-	379	9,854	34,013	97,555
Disposals	-	-	-	(776)	(8,472)	(21,208)	(1,157)	(8,503)	(40,116)	(37,195)
Transfers	-	-	-	(27)	27	-	26	(26)	-	-
Effect of movements in exchange rates	-	-	-	-	-	-	1	35	36	-
At the end of the year	7,256,428	2,832,969	335,744	1,126,504	303,446	729,143	267,416	662,774	13,514,424	13,229,133
Depreciation										
At the beginning of the year	-	446,034	162,464	376,617	257,382	530,448	204,009	327,607	2,304,561	1,973,089
Charge for the year	-	72,289	23,499	68,130	23,424	90,654	23,221	53,023	354,240	362,402
On disposals	-	-	-	(438)	(8,280)	(21,208)	(889)	(6,745)	(37,560)	(30,930)
Transfers	-	-	-	(1)	1	-	55	(55)	-	-
Effect of movements in exchange rates	-	-	-	-	-	-	-	(1)	(1)	-
At the end of the year	-	518,323	185,963	444,308	272,527	599,894	226,396	373,829	2,621,240	2,304,561
Carrying amount before capital work-in-progress	7,256,428	2,314,646	149,781	682,196	30,919	129,249	41,020	288,945	10,893,184	10,924,572
Capital work-in-progress at cost										
At the beginning of the year	2,571	122,511	6,030	88,994	-	-	215	6,143	226,464	180,558
Additions	2,416	21,477	7,512	18,434	20	-	164	9,344	59,367	143,639
Transferred to PPE	-	(7,962)	(7,465)	(8,333)	(20)	-	(379)	(9,854)	(34,013)	(97,555)
Derecognition	-	(301)	(443)	(63,798)	-	-	-	-	(64,542)	(178)
At the end of the year	4,987	135,725	5,634	35,297	-	-	-	5,633	187,276	226,464
Carrying amount as at 31st March 2020	7,261,415	2,450,371	155,415	717,493	30,919	129,249	41,020	294,578	11,080,460	
Carrying amount as at 31st March 2019	7,258,999	2,500,526	171,845	600,716	45,163	189,702	53,297	330,788		11,151,036

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2019/20 (2018/19 – Nil).

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.9.1 Revaluation of Freehold Land

Freehold land was revalued as at 16th October 2017 By Mr. K. Arthur Perera (Sri Lanka) who is a professionally qualified independent valuer. The valuation method adopted was the Market Comparable Method.

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

Location	Estimates for Unobservable Inputs Rs.	Extent	Original Cost Rs.'000	Revalued Amount Rs.'000	Revalued Amount as No. of Times of Cost	Freehold Building Square Feet	No of Buildings	Pledged	Mortgaged to Financial Institution
01. No. 65, Jetawana Road, Colombo 14	8,000,000 p.p	2A-0R-33.29P	414	2,575,810	6,222	88,302	3	No	No
No. 56, K. Cyril C. Perera Mawatha, Colombo 14	7,000,000 p.p								
Sanctioned Street Line	3,500,000 p.p								
02. No. 61, Jetawana Road, Colombo 14	8,500,000 p.p	0A-1R-04.00P	18,014	374,000	21	11,418	1	No	No
03. No. 74, Jetawana Road, Colombo 14	8,000,000 p.p	0A-1R-14.56P	113,808	436,480	4	4,043	1	No	No
04. No. 800, Sirimawo Bandaranaike Mawatha, Colombo 14	2,500,000 p.p	3A-3R-20.60P	641,519	1,551,500	2	229,025	1	No	No
05. No. 135, Mahena Road, Siyambalape and No. 274/A, Kakunagaha Watta, Siyambalape*	300,000 p.p	8A-3R-19.90P	37,606	422,550	39	117,657	6	No	No
06. Kirindiwela Road, Weliweriya	146,250 p.p	15A-3R-30.00P	89,958	372,938	4	219,880	5	No	No
07. No. 360, Madampitiya Road, Mahawatta, Colombo 14 ***	2,500,000 p.p	1A-2R-26.80P	301,599	667,000	2	-	-	No	No
08. No. 09, Kandy Road, Aathikadu Valavu,Ariyalai,Jaffna	150,000 p.p	1A-2R-26.72P	32,487	39,375	1	38,675	1	No	No
09. No.88, Dambulla Road,Yaggapitiya, Kurunegala	300,000 p.p	5A-0R-00.00P	54,599	240,000	4	24,630	1	No	No
10. No. 23, Kaldemulla Road, Ratmalana	765,000 p.p	0A-3R-27.04P	92,102	112,486	1	17,323	2	No	No
11. No. 63 & 63 A Jetawana Road, Colombo 14	7,500,000 p.p	0A-1R-08.75P	176,539	365,625	2	8,192	2	No	No
12. No.30,Kurihena, Lenadora,Dambulla	18,000 p.p	29A-0R-27.85P	68,107	84,000	1	1,800	5	No	No
13. Kahatakulama Waththa, Galkulama, Andigama	12,500 p.p	13A-3R-28.80P	7,575	27,860	4	14,376	3	No	No
14. Kumbukgaha Mula, Nabadewa, Nikaweratiya **	Commercial portion (10p) at 90,000 p.p and balance (30p) at 25,000 ***	0A-1R-00.00P	1,100	1,650	1	-	-	No	No
15. Katuwelandahena,Panliyadda, Ibbagamuwa, Kurunegala ***	-	0A-1R-38.7P	11,470	11,469	-	-	-	No	No
16. Kentune Galeyaya, Kachchigala, Embilipitiya, Ratnapura ***	-	5A-0R-2P	4,445	4,445	-	-	-	No	No
17. Kentune Galeyaya, Kachchigala, Embilipitiya,Ratnapura ***	-	01A-3R-36.30P	2,342	2,342	-	-	-	No	No
Total			1,653,684	7,289,530		775,321	31		
Improvements to land after the revaluation				3,255		-			
Movement of capital work-in-progress after the revaluation				4,987		-			
Total carrying value				7,297,772		775,321			

p.p-per perch

*Land original extent is 8A-3R-19.90, but valuation has been given only for 8A-3R-08.50P

** In 2018/19 PlantChem (Private) Limited disposed 0A-0R-25.00P land located at Nikaweratiya

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

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

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

4.9.2 Fully Depreciated but still in Use

The cost of fully-depreciated property, plant and equipment of the Group and the Company which are still in use amounted to Rs. 1,181.38 million (2018/19 - Rs. 1,067.46 million) and Rs. 1,131.18 million (2018/19 - Rs. 1,021.84 million) respectively.

4.9.3 Property, Plant and Equipment Pledged as Security against Long-Term Bank Loan.

Buildings of PlantChem (Private) Limited situated in their leasehold property in Dambadeniya, with a carrying value of Rs.19.01 million (2018/19 - Rs. 24.45 million) have been pledged as security against term loans obtained.

4.9.4 Permanent Fall in Value of Property, Plant and Equipment

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

4.9.5 Title Restriction on Property, Plant and Equipment

There were no restrictions that existed on the title to the property, plant and equipment of the Group/Company as at the reporting date.

4.9.6 Assets held under finance leases

Group property, plant and equipment under finance leases amount to Rs. 37.3 million as at the reporting date (2018/19 - Rs. 21.7 million).

4.10 RIGHT-OF-USE ASSETS

Accounting Policy

Basis of recognition

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

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

Basis of measurement

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-Use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

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

Short-term leases and leases of low-value assets

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

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Right-of-use assets

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cost				
At the beginning of the year	-	-	-	-
Reclassification from lease rentals paid in advance	39,938	-	39,938	-
Origination from initial application of SLFRS 16	553,401	-	514,629	-
Additions during the year	32,213	-	32,213	-
Disposal during the year	(9,735)	-	(9,735)	-
At the end of the year	615,817	-	577,045	-
Accumulated Amortisation				
At the beginning of the year	-	-	-	-
Reclassification from lease rentals paid in advance	19,822	-	19,822	-
Amortisation for the year	117,985	-	95,222	-
At the end of the year	137,807	-	115,044	-
Carrying amount at the end of the year	478,010	-	462,001	-
These lease rentals are presented in Financial position as follows;				
Classified as non-current assets	478,010	-	462,001	-
	478,010	-	462,001	-

4.10.1 Lease Rentals Paid in Advance

Accounting Policy

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

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cost				
At the beginning of the year	39,938	39,938	39,938	39,938
Reclassification to right-of-use assets*	(39,938)	-	(39,938)	-
At the end of the year	-	39,938	-	39,938
Accumulated Amortisation				
At the beginning of the year	19,822	17,617	19,822	17,617
Reclassification to right-of-use assets*	(19,822)	-	(19,822)	-
Amortisation for the year	-	2,205	-	2,205
At the end of the year	-	19,822	-	19,822
Carrying amount at the end of the year	-	20,116	-	20,116
These lease rentals are presented in Financial position as follows;				
Classified as current assets	-	2,205	-	2,205
Classified as non-current assets	-	17,911	-	17,911
	-	20,116	-	20,116

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

Details of Operating Lease Rentals Paid in Advance

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

4.11 INTANGIBLE ASSETS AND GOODWILL

Accounting Policy

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets".

Basis of measurement

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in Profit or Loss as incurred.

Useful economic lives, amortisation and impairment

Intangible assets with finite lives are amortised using the straight-line method to write down the cost over its estimated useful economic lives and is generally recognised in Profit or Loss. Goodwill and intangible assets with indefinite useful lives are not amortised. These assets are assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

The period over which intangible assets are amortised is as follows;

Class of Asset	Amortisation period (years)
Computer software	4

The above rate is consistent with the rate used in the previous years. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill arisen through business combination

The Group recognised an intangible asset by way of goodwill in respect of the registered and established product portfolio, customer lists, technical expertise and distribution network acquired from acquisition of the 51% stake in Plant Seeds (Private) Limited. The management is of the opinion that the brand name of Plant Seeds (Private) Limited together with its duly registered product portfolio will bring synergies to the current product offering of the Company in the Agriculture Sector and bring future economic benefits.

Impairment of goodwill

Goodwill arising on acquisition of Plant Seeds (Private) Limited amounting to Rs. 117.6 Million was based on the fair values of the identifiable assets and liabilities on the date of acquisition (on 23rd February 2018). Based on the impairment assessment carried out by the management at the reporting date, management assumed that no impairment is required as there is no significant change in the fair value of such acquired assets and liabilities, subsequent to the acquisition.

Derecognition

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, is recognised in Profit or Loss in the year the asset is derecognised.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Intangible Assets

Group As at 31st March	Software Rs.'000	Goodwill Rs.'000	Total 2020 Rs.'000	 2019 Rs.'000
Cost				
At the beginning of the year	97,996	117,623	215,619	207,881
Additions during the year	5,100	-	5,100	7,738
Disposals during the year	(4,163)	-	(4,163)	-
Transfers to Property plant & Equipment	(420)	-	(420)	-
At the end of the year	98,513	117,623	216,136	215,619
Accumulated Amortisation				
At the beginning of the year	80,404	-	80,404	73,032
Amortisation for the year	7,692	-	7,692	7,372
Disposals during the year	(260)	-	(260)	-
Transfers to Property plant & Equipment	(420)	-	(420)	-
At the end of the year	87,416	-	87,416	80,404
Carrying amount at the end of the year	11,097	117,623	128,720	135,215

Company As at 31st March	Software Rs.'000	Total 2020 Rs.'000	 2019 Rs.'000
Cost			
At the beginning of the year	94,999	94,999	87,261
Additions during the year	5,100	5,100	7,738
Disposals during the year	(4,163)	(4,163)	-
At the end of the year	95,936	95,936	94,999
Accumulated Amortisation			
At the beginning of the year	77,407	77,407	70,035
Amortisation for the year	7,692	7,692	7,372
Disposals during the year	(260)	(260)	-
At the end of the year	84,839	84,839	77,407
Carrying amount as at end of the year	11,097	11,097	17,592

Fully amortised but still in Use

The cost of fully amortised Intangible Assets of the Group and the Company which are still in use amounted to Rs. 64.7 million (2018/19 - Rs. 65.1 million) and Rs. 62.1 (2018/19 - Rs. 62.1 million) respectively.

4.11.1 Net Carrying value of goodwill

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

	2020 Rs.'000
Plant Seeds(pvt) Ltd	117,623
	117,623

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

Business Growth - Based on historical growth rate and business plan

Inflation - Based on the current inflation rate

Discount rate - Average market borrowing rate adjusted for risk premium

4.12 INVESTMENTS IN SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEE

4.12.1 Investments in Subsidiaries

Accounting Policy

Investments in subsidiaries are initially recognised at cost in the Financial Statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries are immediately recognised in Profit or Loss. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

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

Accounting Estimate - Provision for Impairment

An impairment assessment was carried out as at 31st March 2020 and it was concluded that net realisable value of all the investments included under unquoted investments exceed its carrying value except for DIMO Travels (Private) Ltd. Based on an assessment made for impairment, the provision given in Note 4.12.2 was considered to be adequate as at reporting date.

Investment in DIMO Lanka Company Limited

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

Investment in United DIMO Company Limited

On 27th November 2017, DIMO Lanka Company Limited, which is a fully-owned subsidiary of the company invested Rs. 21.2 mn in United DIMO Company Limited, for acquisition of 70% shares of the latter involved in automobile sales, repair and servicing. The investment by DIMO Lanka Company Limited in United DIMO Company Limited was to support the latter's expansion programme in automobile sales, repair and servicing business. During the year 2019/20, DIMO Lanka Company Limited further invested Rs. 46.2 Mn (25,760 shares) in United DIMO Company Limited for the same purpose. There was no change in the percentage of share holding in subsidiaries by the minority share holders.

Carrying Value of Investments in Subsidiaries made by the Company

As at 31st March	Category	Percentage of Holding (%)	Total 2020 Rs.'000	2019 Rs.'000
Unquoted Investment - Ordinary Shares				
DIMO (Private) Limited - 25,000 ordinary shares	Investment	100	250	250
DIMO Industries (Private) Limited - 2,305,000 ordinary shares	Investment	100	23,050	23,050
DIMO Travels (Private) Limited - 500 ordinary shares	Investment	100	50	50
DIMO Lanka Company Limited - 78,000 ordinary shares	Investment	100	128,593	78,417
PlantChem (Private) Limited - 14,195,767 ordinary shares	Acquisition	51	166,827	166,827
Plant Seeds (Private) Limited - 6,577,185 ordinary shares	Acquisition	51	246,032	246,032
			564,802	514,626
Impairment provision (Note 4.12.2)			(50)	(50)
			564,752	514,576

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Investments made by the subsidiaries

Investments by Dimo Lanka Company Limited

As at 31st March	Category	Percentage of Holding (%)	Total 2020 Rs.'000	2019 Rs.'000
Unquoted Investment - Ordinary Shares				
United DIMO Company Limited - 81,760 ordinary shares	Investment	70	106,856	43,436
			106,856	43,436

The Group subsidiaries with material non-controlling interests are given in Note 4.12.4.

4.12.2 Movement in Provision for Impairment of Investments in Subsidiaries

As at 31st March	2020 Rs.'000	2019 Rs.'000
At the beginning of the year	50	187
Reversal of impairment	-	(137)
At the end of the year	50	50

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

4.12.3 Goodwill or bargaining purchase arising from acquisition of subsidiaries in 2017/18

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

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

	PlantChem (Private) Limited (Restated) Rs.'000	PlantSeeds (Private) Limited (Restated) Rs.'000
Total Assets	761,267	410,846
Total Liabilities	(419,206)	(159,063)
Total identifiable net assets at fair value	342,061	251,783
Non-controlling interest measured at fair value	167,610	123,374
Goodwill arising on acquisition	-	117,622
Bargain purchase arising on acquisition	7,624	-
Purchased consideration transferred	119,059	226,444
Contingent consideration (Note 4.12.3.1)	47,768	19,587
Net cash outflow on Acquisition	391,534	310,864

Contingent consideration

As part of the purchase agreement with the selling shareholders of PlantChem(Private) Limited and Plant Seeds (Private) Limited, a contingent consideration has been agreed. There will be additional cash payments to the selling shareholders, PlantChem (Private) Limited and Plant Seeds (Private) Limited, as purchaser agreed and undertook that in the event the below amounts or any part thereof is realised prior to 31st March 2019, 51% of the aggregate recovered amount shall be paid to acquirees.

a) Inventory over 365 days amounting Rs. 135 million as at 31st October 2017

b) Trade receivables over 180 days amounting Rs. 38 million as at 31st October 2017

4.12.3.1 Re-assessment of Contingent consideration in 2018/19

The assessment of fair value of contingent consideration carried out during the prior year placed its' value at Rs. 47.76 million and Rs. 19.58 million for PlantChem (Private) Limited and Plant Seeds (Private) Limited respectively. A summary of the re-stated figures of prior year are presented in the table below;

As at 31st March	PlantChem (Private) Limited Rs.'000	PlantSeeds (Private) Limited Rs.'000
Contingent consideration before re-assessment	16,768	4,958
Adjustments	30,999	14,629
Contingent consideration after re-assessment	47,767	19,587

Fair value of the contingent consideration was arrived based on the recoveries made subsequently from the debtors that was outstanding for more than 180 days as at 31st October 2017 and subsequent realization of stocks which were resident for more than 365 days as at 31st October 2017.

4.12.4 Subsidiaries with material non-controlling interests

Accounting Policy

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Statement of Profit or Loss and Other Comprehensive as a component of equity in the Statement of Financial Position, separately from equity attributable to owners of the Company.

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

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

	United DIMO Company Limited		PlantChem (Private) Ltd		PlantSeeds (Private) Ltd	
As at 31st March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Non-controlling interest percentage	30%	30%	49%	49%	49%	49%
Summarised statement of financial position						
Current assets	55,400	50,238	686,870	636,408	444,878	601,335
Non-current assets	96,246	48,049	133,970	97,917	101,827	80,718
Total assets	151,646	98,287	820,840	734,325	546,705	682,053
Current liabilities	62,019	61,506	528,288	466,272	226,196	383,421
Non-current liabilities	-	-	22,959	11,691	14,662	10,809
Total liabilities	62,019	61,506	551,247	477,963	240,858	394,230
Net assets	89,627	36,781	269,593	256,362	305,847	287,823
Net assets attributable to non-controlling interest	26,888	11,034	132,101	125,617	149,865	141,033
Summarised statement of comprehensive income						
Revenue	206,907	40,033	862,985	772,002	563,592	621,207
Profit after tax	(28,624)	(18,987)	13,229	33,899	23,703	53,069
Other comprehensive income	14,054	1,783	-	-	-	-
Total comprehensive income	(14,570)	(17,204)	13,229	33,899	23,703	53,069
Profit attributable to non-controlling interest	(8,587)	(5,696)	6,482	16,611	11,614	26,004
Other comprehensive income attributable to non-controlling interest	4,216	534	-	-	-	-
Total comprehensive income attributable to non-controlling interest	(4,371)	(5,161)	6,482	16,611	11,614	26,004
Summarised statement of cash flow						
Cash flows from (used in) operating activities	(680)	2,092	(87,118)	(10,597)	160,501	(131,729)
Cash flows from (used in) investing activities	(49,206)	(25,245)	(51,236)	107,001	(66)	(2,457)
Cash flows from (used in) financing activities	53,414	33,593	136,287	(50,418)	(159,651)	147,635
Net increase in cash and cash equivalents	3,528	10,440	(2,067)	45,986	784	13,449

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.12.5 Equity-accounted investee

Accounting Policy

The Equity-accounted investee shown in the financial statements is a Joint venture.

A Joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the Joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs, in terms of Sri Lanka Accounting Standards – LKAS 28 on “Investments in Associates and Joint Ventures”. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Investment in DIMO Coastline (Private) Limited

On 22 February 2018, the Group acquired 40% equity interest of DIMO Coastline (Private) Limited for an aggregate consideration of Rs. 58.16 million with an option to purchase further 10% of the shares within 3 years. DIMO Coastline (Private) Limited is a company incorporated in Republic of Maldives. The Group has acquired the company as part of expansion into marine and general engineering business overseas.

The following table summarises the financial information relating to DIMO Coastline (Private) Limited as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group’s interest in DIMO Coastline (Private) Limited.

Statement of Financial Position

	DIMO Coastline (Private) Ltd	
As at 31st March	2020	2019
	Rs.‘000	Rs.‘000
Percentage ownership interest	40%	40%
Non-current assets	267,399	146,209
Current assets	82,591	79,944
Total assets	349,990	226,153
Current liabilities	283,440	125,117
Total liabilities	283,440	125,117
Net assets (100%)	66,550	101,036
Group's share of net assets (40%)	26,620	40,414
Carrying amount of interest in equity-accounted investee	26,620	40,414

Income Statement

	DIMO Coastline (Private) Ltd	
As at 31st March	2020	2019
	Rs.‘000	Rs.‘000
Revenue	168,215	112,182
Depreciation	(22,719)	(16,618)
Interest expense	18,925	(1,331)
Loss after tax	(40,835)	(76,656)
Total comprehensive income (100%)	(40,835)	(76,656)
Group’s Share of results of equity accounted investee, net of tax (40%)	(16,334)	(30,663)

Reconciliations of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in equity accounted investee recognised in the financial statements is as follows;

As at 31st March	2020 Rs.‘000	2019 Rs.‘000
At the beginning of the year	40,414	55,098
Less		
Group’s Share of loss recognised in statement of profit or loss and other comprehensive income	(16,334)	(30,663)
Effect of movements in exchange rates	2,540	5,040
Increase in net assets of DIMO Coastline (Pvt) Ltd	-	10,939
Carrying amount of interest in equity-accounted investee	26,620	40,414

4.13 FAIR VALUE OF ASSETS AND LIABILITIES

Accounting Policies

Financial assets

Recognition and initial measurement

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

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

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

Classification and measurement

Business model assessment

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

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

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Equity Securities measured at FVOCI

Company's investment in equity securities are classified as fair value through other comprehensive income (FVOCI).

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Group's/Company's financial assets classified and measured at amortised cost are limited to its trade and other receivables, deposits, amounts due from subsidiaries, amount due from Equity accounted investee and cash & cash equivalents.

Subsequent measurement and gains and losses

Subsequent measurement of Group's/Company's financial assets are as follows;

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in Profit or Loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held - for - trading at the initial recognition. Financial liabilities at FVTPL are measured at fair value and any resulting gains and losses, including any interest expense, are recognised in profit or loss.

The Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Subsequent measurement

Other financial liabilities are subsequently measured at amortised cost. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method minus any reduction for impairment.

Details of financial liabilities recognised in the Statement of Financial Position are given in Notes 4.22 and 4.27 on pages 115 and 125.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.13.1 Financial Assets and Liabilities by Category

Financial Assets

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
i. Financial assets not measured at fair value (At amortized cost)				
- Trade and other receivables	8,519,705	6,974,219	5,684,764	4,832,912
- Deposits	266,484	566,106	242,339	523,791
- Cash and cash equivalents	837,650	223,026	570,503	119,102
- Amounts due from subsidiaries	-	-	132,030	117,442
- Amount due from Equity accounted investee	17,801	18,204	17,801	18,204
ii. Equity instruments - FVOCI (At fair value)				
- Financial assets at FVOCI	6,461	6,897	6,389	6,816
Total financial assets	9,648,101	7,788,452	6,653,826	5,618,267

Financial Liabilities

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
i. Financial liabilities at fair value through profit or loss	-	-	-	-
ii. Other financial liabilities				
- Current portion of long-term borrowings	202,272	354,044	200,892	351,363
- Long-term borrowings	290,206	490,180	290,000	490,180
- Short-term borrowings	10,794,205	9,289,940	9,589,899	8,715,598
- Trade payables	2,601,473	1,905,473	2,213,340	1,482,480
- Contingent consideration	-	67,355	-	67,355
- Amounts due to related parties	-	-	9,923	190,451
Total financial liabilities	13,888,156	12,106,992	12,304,054	11,297,427

Fair value of assets and liabilities

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments;

Level 2: Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Valuation techniques that use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

Non-financial assets measured at fair value

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

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

As at 31st March		Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Financial assets					
FVOCI - Equity instruments	Level 1	6,461	6,897	6,389	6,816
	Level 2	-	-	-	-
	Level 3	-	-	-	-
Non-financial assets					
Freehold land	Level 1	-	-	-	-
	Level 2	-	-	-	-
	Level 3	7,292,785	7,292,725	7,256,428	7,256,428

4.13.2 Financial Risk Management

The Group has exposure mainly to the following risks from financial instruments:

a. Market risk
b. Credit risk
c. Liquidity risk

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The overall objectives and policies for the Group's financial risk management are as per the internal treasury practices. It will cover foreign exchange policy, investment policy, financing policy and policies on credit risk and risk limits. Further details of management of risk is available from pages 53 to 55.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

The Company imports considerable amount of its total product offerings which are subject to the risk of foreign exchange rate increase that would adversely affect cost of purchases. Some contracts for deliverables by the Group cover exposure from fluctuating exchange rates whilst pricing mechanisms are also used to recover exchange losses from import and sell businesses. The Company would continue to manage the exchange rate risk through various currency risk management strategies.

The pandemic impacted on foreign exchange rates of the country due to loss of foreign currency inflows resulted by the disruption to key sectors that contribute to foreign currency inflows this resulted in an increase of USD exchange rate against the Sri Lankan Rupee from around Rs. 181.5/- as at 13th March 2020 to Rs. 186.5/- by 31st March 2020.

The Sri Lankan Rupee(LKR) witnessed a sharp depreciation against the US Dollar in March 2020. The Group had taken measures to manage risk of LKR depreciation by having foreign currency trade receivables, by invoicing in foreign currencies and through foreign currency bank account balances to cover the exposure on foreign currency payables to the extent possible. Hence the overall objective of currency risk management is to reduce the short term negative impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

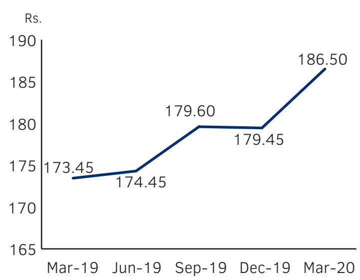
The following table demonstrates Group exposure to currency risk as at the reporting date.

Sensitivity Analysis - Based on exchange rate fluctuation

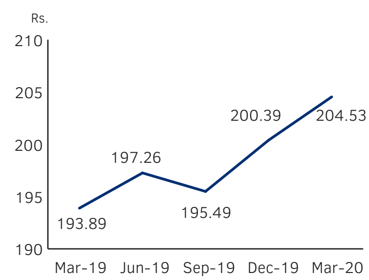
As at 31st March		Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
US Dollar (USD)					
Appreciation/(depreciation) during the financial year	- Rs.	13.05	20.05	13.05	20.05
	- %	8%	13%	8%	13%
1 % change impact to profitability by	- Rs.'000	13,143	3,563	10,347	3,084
Euro (EUR)					
Appreciation/(depreciation) during the financial year	- Rs.	10.64	5.71	10.64	5.71
	- %	6%	3%	5.5%	3%
1 % change impact to profitability by	- Rs.'000	2,683	1,459	1,918	1,107

The Group's exposure to foreign currency changes for all other currencies is not material.

Movement in Exchange Rate -USD



Movement in Exchange Rate - EUR



(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating rates. The Group manages its interest rate risk by monitoring and managing cash flows, negotiating favourable rates on borrowings and deposits including and maintaining an appropriate combination of fixed and variable rate debt.

During the financial year consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.

Sensitivity Analysis

If interest rates had been higher/lower by 5 basis points and all other variables were held constant, the profit before tax for the year ended 31st March 2020 would decrease/increase by Rs.4.9 million (2018/19 Rs. 5.5 million). A fluctuation in interest rates is possible due to Group's exposure to variable rates of interest.

(iii) Equity price risk

The Group is exposed to equity price risk because of investments in quoted shares held by the Group classified as Equity instruments at FVOCI.

The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Group's trade receivables.

The Group has taken several measures to manage and mitigate the credit risk including carrying out a credit evaluation as per the Group credit policy, prior to extending credit. A review of age analysis of trade receivables and follow-up meetings are carried out by the business unit managers at least once a month and by the Group Management Committee (GMC) at least once a quarter. In the event of a debt becoming doubtful, legal action is initiated by the Manager-Legal.

The Group has taken necessary steps to monitor creditors more closely and frequently to ensure that the payables are settled on time.

Credit risk associated with the Group's/Company's trade receivables due to the post-lockdown economic implication of COVID-19 pandemic is disclosed in Note. 3.7.1.

Credit risk exposure

The maximum risk exposure of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

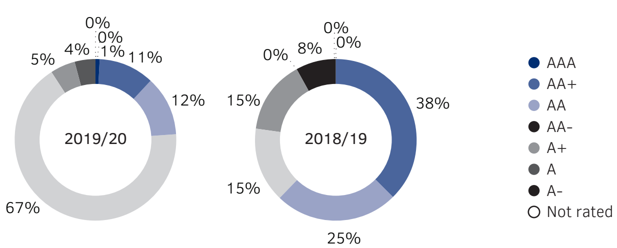
As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	8,519,705	6,974,219	5,684,764	4,832,912
Deposits	260,935	498,816	236,903	462,452
Amounts due from subsidiaries	-	-	149,831	135,646
Cash at bank	704,281	186,274	491,980	91,266
Total credit risk exposure	9,484,921	7,659,309	6,563,478	5,522,276

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

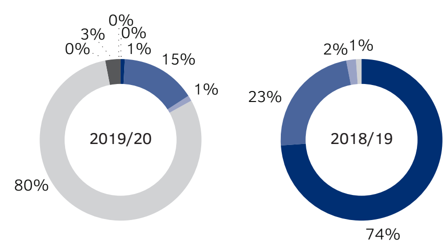
Balances with banks

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fitch Rating				
AAA	3,478	-	3,478	-
AA+	75,936	70,714	73,853	67,793
AA	86,784	45,790	4,398	20,608
AA-	474,099	27,054	395,842	2,166
A+	33,379	27,130	309	474
A	30,557	-	14,100	-
A-	48	15,271	-	-
Not Rated	-	315	-	225
Total bank balances (Note 4.18)	704,281	186,274	491,980	91,266

Balances with Banks - Group



Balances with Banks - Company



(c) Liquidity risk

This is the risk that the Group will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, finance leases and bank loans. Access to sources of funding is sufficiently available.

The Group considered that Cash flow scrutiny is paramount in the days and months ahead and has adopted a disciplined approach across the Group including setting up of Group-wide spend control, reducing operating costs and defer capital expenditure to secure the financial position of the Group. If required Group/Company has unutilised bank facilities as at 31st March 2020 amounted to Rs. 7,808 million.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Maturity profiles and specific risk management strategies with regard to trade payables and bank borrowings are given in Note 4.27.2 and 4.22.1.

As disclosed in Note. 3.3, the Board of Directors is satisfied that the Company and its subsidiaries have adequate liquidity and business plans to continue to operate the business and to mitigate the increased liquidity risks arising from the business and movement restrictions made due to COVID-19 pandemic, for the next 12 months from the date of this report.

4.13.3 Capital Risk Management

The objectives of the capital management can be summarised as follows:

a. Appropriately allocate capital to meet strategic objectives.

b. Enable the Group to face any economic downturn/ crisis situation.

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence in order to sustain future development of the business. The impact of the shareholders' return is also recognised and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company manages its capital structure and adjusts it accordingly in line with changes in global and local economic and market conditions and its overall risk appetite.

Given below is a summary of the capital structure of the Group and the Company as follows:

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Long-term borrowings (Note 4.22.1.1)	492,478	844,224	490,892	841,543
Equity	11,979,010	11,740,844	10,669,432	10,368,939
Total equity and long-term borrowings	12,471,488	12,585,068	11,160,324	11,210,482
Gearing ratio (%)	4%	7%	4%	8%

4.14 EQUITY SECURITIES

Accounting Policy

After initial measurement, Equity Securities are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains or losses are recognized in OCI and are never reclassified to profit or loss.

The fair values of quoted shares are based on current bid prices at the end of the reporting period.

Dividends earned whilst holding equity Securities are recognised in Profit or Loss as 'Other Operating Income' when the right to receive the payment has been established.

Carrying Value of Equity instruments

As at 31st March	Group No. of Shares	Group Market Value per Share 2020 Rs.	Group Total Cost Rs.'000	Group Fair Value 2020 Rs.'000	Group Fair Value 2019 Rs.'000	Company No. of Shares	Company Market Value per Share 2020 Rs.	Company Total Cost Rs.'000	Company Fair Value 2020 Rs.'000	Company Fair Value 2019 Rs.'000
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	161.00	14	144	162	450	161.00	7	72	81
Hatton National Bank PLC (non-voting)	36,084	135.50	700	4,889	5,204	36,084	135.50	700	4,889	5,204
Ceylinco Insurance PLC (non-voting)	1,700	840.00	298	1,428	1,531	1,700	840.00	298	1,428	1,531
			1,012	6,461	6,897			1,005	6,389	6,816

4.15 INVENTORIES

Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated cost of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

→ Raw materials - At actual cost on a weighted average basis

- Finished goods - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs.
- work-in-progress - Remaining incomplete work-in-progress are stated at cost.
- Stock-in-trade - Inventories that are not interchangeable are valued by identifying their specific individual costs, and inventories that are interchangeable are valued using weighted average cost.
- Other inventories - At actual cost
- Goods-in-transit are recognised at actual cost as at reporting date.

Carrying Value of Inventories

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Raw material	409,921	308,162	219,683	70,211
Stock-in-trade and finished goods	5,509,079	6,818,738	5,171,240	6,570,499
Work-in-progress (at cost)	918,314	734,564	373,778	145,713
Provision for slow moving inventories (Note 4.15.1)	(433,484)	(363,865)	(347,195)	(327,859)
	6,403,830	7,497,599	5,417,506	6,458,564
Goods-in-transit	1,604,022	862,851	1,460,763	816,947
Total inventories at the lower of cost and net realisable value	8,007,852	8,360,450	6,878,269	7,275,511

4.15.1 Movement in Provision for Slow Moving Inventories

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
At the beginning of the year	363,865	349,743	327,859	318,820
Provision for slow moving inventories	69,619	14,122	19,336	9,039
At the end of the year	433,484	363,865	347,195	327,859

Inventories jointly with trade receivables have been pledged as security for short-term borrowings are given in Note 4.16.3

The value of inventories written off as an expense amounted to Rs. 5.8 million for the Financial Year 2019/20 (2018/19 - Rs. Nil).

4.16 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Accounting Estimate - Provision for Impairment

Group/Company makes impairment for receivables based on the simplified approach to provide for Expected Credit Losses (ECLs) as per SLFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

It has not resulted in a material change in loss allowance compared with previous policy. The allowance is provided by considering evidence of impairment for receivables at both an individual asset and at a collective level. All individually significant receivables are individually assessed for impairment by considering objective evidence i.e. experiencing a significant financial difficulty or default in payments by a customer. All individually insignificant debtors and based on management judgment, similar risk characteristic debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping them together based on similar risk characteristics.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

In assessing collective impairment, the Group/Company uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred, and makes an adjustment if current and forward looking economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

Carrying Value of Trade and Other Receivables

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Trade receivables	9,479,213	7,609,266	6,476,938	5,379,413
Provision for impairment (Note 4.16.1)	(965,231)	(641,759)	(797,729)	(552,707)
	8,513,982	6,967,507	5,679,209	4,826,706
Other receivables	5,723	6,712	5,555	6,206
Carrying value	8,519,705	6,974,219	5,684,764	4,832,912

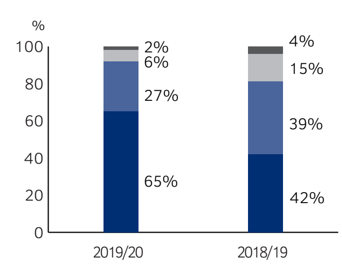
4.16.1 Movement in Provision for Impairment of Trade Receivables

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
At the beginning of the year	641,759	463,949	552,707	367,424
Provision for impairment of trade receivables	323,472	177,810	245,022	185,283
At the end of the year	965,231	641,759	797,729	552,707

4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

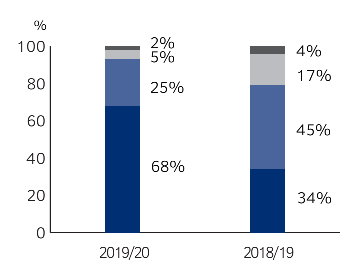
As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Neither past due nor impaired	3,582,138	4,537,268	1,945,684	3,294,062
Past due but not impaired				
Between 61 days to 180 days	3,288,016	1,908,026	2,556,069	1,205,100
Between 181 days to 365 days	1,291,488	412,326	953,714	238,549
Over 365 days	352,340	109,887	223,742	88,995
Net trade receivables - maximum exposure to credit risk	8,513,982	6,967,507	5,679,209	4,826,706
Provision for impairment	965,231	641,759	797,729	552,707
Gross trade receivables	9,479,213	7,609,266	6,476,938	5,379,413

Debtor Age Analysis - Group



- Neither past due nor impaired
- Between 61 days to - 180 days
- Between 181 days to - 365 days
- Over 365 days

Debtor Age Analysis - Company



4.16.3 Carrying amount of trade receivables, net of impairment, are denominated in the following currencies

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Currency				
Sri Lankan Rupees	7,372,397	6,420,457	4,836,244	4,407,716
USD	994,024	355,687	759,133	307,901
Euro	145,809	190,942	81,839	110,671
Japanese Yen	1,254	-	1,254	-
Other	498	421	739	418
	8,513,982	6,967,507	5,679,209	4,826,706

Banking facilities for subsidiaries, Plantchem (Pvt) Ltd and Plantseeds (Pvt) Ltd have been obtained by providing a concurrent mortgage on book debts and inventory to three banks for Rs. 436 million, Rs. 360 million and Rs. 200 million.

4.16.4 Terms of Trade and Other Receivables

Trade and other receivables are non-interest-bearing and are expected to be received within 60 days.

4.17 OTHER CURRENT ASSETS

Accounting Policy

The Group/Company classifies all non financial current assets under other current assets. Other current assets mainly comprise of advances, deposits, prepayments and current portion of the lease rentals paid in advance.

Advances and deposits are carried at historical value less provision for impairment. Prepayments are amortised over the period during which it is utilised and carried at historical value less amortisation charge and any impairment.

Carrying Value of Other Current Assets

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Deposits	266,484	566,106	242,339	523,791
Prepayments	1,766,170	1,001,424	1,557,988	818,122
Lease rentals paid in advance (Note 4.10)	-	2,205	-	2,205
Other receivables	59,275	73,625	43,786	66,319
	2,091,929	1,643,360	1,844,113	1,410,437

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 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Bank balances	704,281	186,274	491,980	91,266
Cash in hand	133,369	36,752	78,523	27,836
	837,650	223,026	570,503	119,102

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Review of credit risk

The Group's cash and cash equivalents comprise of cash at bank and in hand balances. The credit risk relating to bank balances are analysed according to ratings of each bank which is available on page 109.

4.18.1 Carrying amount of cash and cash equivalents are denominated in the following currencies

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Currency				
Sri Lankan Rupees	377,276	208,669	183,737	116,961
USD	333,576	3,047	275,424	2,124
Euro	123,122	20	110,522	17
Other	3,676	11,290	820	-
	837,650	223,026	570,503	119,102

4.19 STATED CAPITAL

As at 31st March	Company No. of Shares	Company 2020 Rs.'000	Company No. of Shares	Company 2019 Rs.'000
Ordinary Shares				
Issued and Fully-paid Ordinary Shares				
At the end of the year	8,876,437	425,297	8,876,437	425,297

4.20 REVENUE RESERVE

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
At the beginning of the year	7,259,568	7,268,900	5,890,962	6,148,714
Impact of adoption of SLFRS 15	-	(80,347)	-	(55,483)
Statement of Profit or Loss and other comprehensive income				
Profit/(Loss) for the year	195,011	51,307	267,721	(213,323)
2018/19 Final dividend	(22,191)	-	(22,191)	-
Increase in net assets of DIMO Coastline (Pvt) Ltd	-	10,939	-	10,939
Other Comprehensive Income				
Actuarial gain arising from employees benefits (Net of tax)	43,826	8,769	50,268	115
At the end of the year	7,476,214	7,259,568	6,186,760	5,890,962

Revenue reserves includes general reserves and retained earnings.

General reserve represents the amounts set aside by the Directors to meet any contingencies and potential future unknown liabilities. The Group/ Company transfers the surplus profit, after retaining sufficient profits to pay final dividends declared from retained earnings account to the General Reserve account.

4.21 OTHER COMPONENTS OF EQUITY

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	4,055,979	4,050,962	4,052,680	4,049,154
Other Comprehensive Income				
Net fair value losses on remeasuring Equity Securities	(527)	(1,462)	(518)	(1,514)
Foreign currency translation reserve (Note 4.21.1)	22,047	6,479	5,213	5,040
At the end of the year	4,077,499	4,055,979	4,057,375	4,052,680

4.21.1 Foreign currency translation reserve

The Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	8,181	1,702	4,955	(85)
Net gains arising from translating the Financial Statements of foreign operations	26,501	7,013	5,213	5,040
Foreign Currency Translation Reserve attributable to non-controlling Interest	(4,454)	(534)	-	-
	22,047	6,479	5,213	5,040
At the end of the year	30,228	8,181	10,168	4,955

4.22 LONG-TERM AND SHORT-TERM BORROWINGS

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequently, they are stated at amortised cost, any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in Profit or Loss over the period of the loan using the effective interest method.

4.22.1 Long-term Borrowings

4.22.1.1 Movement of Long-term Borrowings

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	842,821	593,579	840,140	590,100
Loans obtained during the year	-	600,000	-	600,000
Repayments during the year	(351,055)	(350,758)	(349,960)	(349,960)
At the end of the year (before adjusting interest payable)	491,766	842,821	490,180	840,140
Interest payable	712	1,403	712	1,403
At the end of the year	492,478	844,224	490,892	841,543
Classified as current liabilities (repayable within one year)	202,272	354,044	200,892	351,363
Classified as non current liabilities (repayable after one year)	290,206	490,180	290,000	490,180

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.22.1.2 Principal Amounts of Long-term Borrowings

As at 31st March	Currency	Group 2020 Rs.'000	Group 2019 Rs.'000	Outstanding as at 31.03.2020 Rs.'000	Outstanding as at 31.03.2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000	Outstanding as at 31.03.2020 Rs.'000	Outstanding as at 31.03.2019 Rs.'000
Commercial Bank of Ceylon PLC	LKR	600,000	600,000	-	70,000	600,000	600,000	-	*70,000
Commercial Bank of Ceylon PLC	LKR	800,000	800,000	80,180	240,140	800,000	800,000	80,180	**240,140
HSBC Bank	LKR	600,000	600,000	410,000	530,000	600,000	***600,000	410,000	530,000
DFCC Bank	LKR	4,000	****4,000	1,586	2,681	-	-	-	-
Total		2,004,000	2,004,000	491,766	842,821	2,000,000	2,000,000	490,180	840,140

* Repayable in 60 instalments from December 2014
** Repayable in 60 instalments from October 2015
*** Repayable in 60 instalments from September 2018
**** Repayable in 48 instalments from September 2017

There is no security pledged against the above bank loans.

4.22.1.3 Analysis of Long-term Borrowings by the year of Repayment

Group As at 31st March	Commercial Bank of Ceylon PLC Rs.'000	HSBC Bank Rs.'000	DFCC Bank Rs.'000	Total 2020 Rs.'000	Total 2019 Rs.'000
Movement of Loans					
At the beginning of the year	310,140	530,000	2,681	842,821	593,579
Loans obtained during the year	-	-	-	-	600,000
Repayments during the year	(229,960)	(120,000)	(1,095)	(351,055)	(350,758)
At the end of the year	80,180	410,000	1,586	491,766	842,821
Analysis of Long-term Borrowings by Period of Repayment					
Repayable - within 1 year	80,180	120,000	1,380	201,560	352,641
- 1 to 5 year	-	290,000	206	290,206	490,180
	80,180	410,000	1,586	491,766	842,821

Company As at 31st March	Commercial Bank of Ceylon PLC Rs.'000	HSBC Bank Rs.'000	Total 2020 Rs.'000	Total 2019 Rs.'000
Movement of Loans				
At the beginning of the year	310,140	530,000	840,140	590,100
Loans obtained during the year	-	-	-	600,000
Repayments during the year	(229,960)	(120,000)	(349,960)	(349,960)
At the end of the year	80,180	410,000	490,180	840,140
Analysis of Long-term Borrowings by Period of Repayment				
Repayable - within 1 year	80,180	120,000	200,180	349,960
- 1 to 5 year	-	290,000	290,000	490,180
	80,180	410,000	490,180	840,140

4.22.2 Short-term Borrowings

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Short-term bank loans	10,656,081	8,992,467	9,484,786	8,464,556
Bank overdrafts	138,124	297,473	105,113	251,042
	10,794,205	9,289,940	9,589,899	8,715,598

Short-term bank loans are repayable within a period of six months to one year. Details of inventories and trade receivables which have been pledged against the above short-term loan facilities are disclosed in Note 4.16.3.

Unutilised bank facilities as at 31st March 2020 amounted to Rs. 7,808 million (2018/19 - Rs. 5,478 million).

In light of the impact of the COVID-19 pandemic, short term bank loans granted on or before 31 march 2020 were extended for a period ranging from one month to six months.

4.22.3 Lease liabilities

Policy Applicable from 01st April 2019

Accounting Policy

At the inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate.

This policy is applied to contracts entered into, on or after 1 April 2019. The policy applicable for existing lease liabilities as at 1st April 2019 is explained in 3.8.1

Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy Applicable before 01st April 2019

Accounting Policy

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

There is no finance lease liability applicable to the company.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Lease liabilities

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Finance lease (Note 4.22.3.1)	30,154	13,926	-	-
Operating lease (Note 4.22.3.2)	469,693	-	452,971	-
	499,847	13,926	452,971	-
Lease Liabilities are presented in the statement of Financial position as follows;				
Classified as non current liabilities	418,857	6,886	395,875	-
Classified as current liabilities	80,990	7,040	57,096	-
	499,847	13,926	452,971	-

4.22.3.1 Movement of Finance Lease Liabilities

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000
At the beginning of the year	13,926	17,016
New leases obtained	30,884	8,424
Repayments	(18,941)	(13,013)
Finance Lease Expense recognised in statement of profit or loss and other comprehensive income	4,285	1,499
Present value of minimum lease payments	30,154	13,926
Finance charge unamortised	5,144	2,211
Future minimum lease payments	35,298	16,137
Finance Lease Liabilities are presented in Financial position as follows;		
Classified as non current liabilities	14,689	6,886
Classified as current liabilities	15,465	7,040
	30,154	13,926

Analysis of Finance Lease Liabilities by period of Re-payment

As at 31st March	2020 Future minimum lease payments Rs.'000	2020 Interest Rs.'000	2020 Present value of minimum lease payments Rs.'000	2019 Future minimum lease payments Rs.'000	2019 Interest Rs.'000	2019 Present value of minimum lease payments Rs.'000
Repayable - within 1 year	19,186	(3,722)	15,464	8,330	(1,290)	7,040
- 1 to 5 year	16,112	(1,422)	14,690	7,807	(921)	6,886
	35,298	(5,144)	30,154	16,137	(2,211)	13,926

4.22.3.2 Movement in operating lease liabilities

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Cost				
Impact from initial application of SLFRS 16	497,942	-	460,863	-
Additions during the year	32,212	-	32,212	-
Accretion of interest	57,420	-	54,202	-
Payments to lease creditors	(108,550)	-	(84,975)	-
Expiration of operating lease agreements during the year	(9,331)	-	(9,331)	-
At the end of the year	469,693	-	452,971	-
Amounts recognised in profit or loss				
Interest on lease liabilities - Leases under SLFRS 16	57,420	-	54,202	-
Lease expense - Operating leases under LKAS 17	-	153,115	-	132,200
Operating Lease Liabilities are presented in Financial position as follows;				
Classified as non current liabilities	404,168	-	395,875	-
Classified as current liabilities	65,525	-	57,096	-
	469,693	-	452,971	-
Maturity Analysis of lease payments				
- Less than 1 year	65,525	-	57,096	-
- 1 to 5 year	292,366	-	284,073	-
- More than 5 years	111,802	-	111,802	-
	469,693	-	452,971	-

Expenses relating to short term leases and leases of low value assets amounting to Rs. 10.1 million has recognized in Income Statements.

4.23 EMPLOYEE BENEFITS

Accounting Policy

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed determinable contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'. Obligations for contributions to defined contribution plans are recognised in Profit or Loss as the related service is provided.

Defined benefit obligation

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees.

Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS -19 on 'Employee Benefits'.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date. The calculation is performed annually by a qualified actuary using the projected unit credit method (PUC). Remeasurement of the defined benefit liability, which comprises actuarial gains and losses are recognised immediately in Other Comprehensive Income. The Group recognises the increase in defined benefit liability attributable to the services provided by employees during the year (current service cost) in Profit or Loss together with the interest expenses. In the absence of a deep market in long term corporate bonds in Sri Lanka, the discount rate has been derived, and approximation of a long term interest rate of 10.5% (2018/19 - 11.5%) has been used to discount future liabilities.

The liability is not externally funded.

Accounting Estimate

The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.23.1 Movement in Defined Benefit Obligation

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
At the beginning of the year	736,445	661,415	686,890	609,222
Included in Profit or Loss				
Current service cost	58,529	56,181	49,520	48,217
Interest cost	82,950	68,155	78,992	63,968
	141,479	124,336	128,512	112,185
Included in Other Comprehensive Income				
Net actuarial gain	(60,870)	(12,179)	(69,817)	(160)
	(60,870)	(12,179)	(69,817)	(160)
Total charge for the year	80,609	112,157	58,695	112,025
Included in Statement of Cash Flows				
Paid during the year	(42,145)	(37,127)	(40,216)	(34,357)
At the end of the year	774,909	736,445	705,369	686,890
The expenses are recognised in the income statement in the following line item;				
Administrative expenses	141,479	124,336	128,512	112,185
	141,479	124,336	128,512	112,185

4.23.2 Principal Actuarial Assumptions

An actuarial valuation was carried out as at 31st March 2020 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

Assumption	2020	2019
Financial		
Rate of discount	10.50% p.a.	11.50% p.a.
Salary escalation rate	9.50% p.a.	10.50% p.a.
Demographic		
Mortality-in service	A 1967/70 mortality table, issued by the Institute of Actuaries, London	
Retirement Age		
- An Executive employee	60 years	60 years
- A Non-Executive employee	55 Years	55 Years
Staff Turnover		
- Up to age 49	13%	14%
- After age 49	0%	0%

According to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of five years of continuous service. The liability as required by the Payment of Gratuity Act for the Group and the Company as at 31st March 2020 amounted to Rs. 781.2 million (2018/19- Rs.737.5 million) and Rs. 722.9 million (2018/19- Rs.680.6 million) respectively.

4.23.3 Sensitivity Analysis

A one percentage change at the reporting date to one of the actuarial assumptions would have the following effects to defined benefit obligation.

Assumption	Change in Defined Benefit Obligation				Present Value of Defined Benefit Obligation			
	Group		Company		Group		Company	
	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000
Rate of discount	(29,545)	32,763	(27,284)	30,284	728,025	790,333	678,085	735,653
Salary escalation rate	35,819	(32,877)	33,098	(30,353)	793,389	724,693	738,467	675,016

4.23.4 Maturity Analysis of the payments

The table below summarises the maturity profile of the Group's/ Company's defined benefit obligation.

As at 31st March 2020	Group Rs.'000	Company Rs.'000
Within the next 12 months	275,566	249,867
Between 1-2years	187,125	173,445
Between2-5 years	115,995	101,409
Between5-10 years	103,724	94,061
Beyond 10 years	92,499	86,587
	774,909	705,369

4.24 DEFERRED TAX

Accounting Policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Accounting Estimate

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Recoverability of temporary difference arising from tax losses

As at 31st March 2020, the Group has recognised Rs. 97.3 million as a deferred tax assets on the deductible temporary differences arising from tax losses, defined benefit obligations, obsolete stocks, debtor impairment, free service provision, SLFRS adjustments, movement of exchange loss and warranty provision. According to the Group/Company policy, deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. In the back ground of the Business Continuity Plans in place, the Board of Directors has assessed the post-lockdown economic implications of COVID-19 pandemic on the Group/Company and is of the view that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Carrying Value of Deferred Tax Assets/(Liabilities)

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	(1,758,002)	(1,839,526)	(1,809,338)	(1,861,319)
Reversal of temporary differences to Profit or Loss	192,399	85,015	151,427	52,026
Origination of temporary differences to Other Comprehensive Income (Note 4.24.2)	(14,560)	(3,491)	(19,549)	(45)
At the end of the year (Note 4.24.1)	(1,580,163)	(1,758,002)	(1,677,460)	(1,809,338)
Made up as follows:				
Deferred tax assets	97,341	51,336	-	-
Deferred tax liabilities	(1,677,504)	(1,809,338)	(1,677,460)	(1,809,338)
	(1,580,163)	(1,758,002)	(1,677,460)	(1,809,338)

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.24.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Deferred Tax Liability				
Temporary difference arising from property, plant and equipment	(7,686,865)	(7,508,749)	(7,621,450)	(7,457,718)
Temporary difference arising from unrealized exchange gain/loss	(39,205)	-	(33,493)	-
Temporary difference arising from Long Term Contracts	(55,202)	-	(46,049)	-
Total temporary difference of deferred tax liability	(7,781,272)	(7,508,749)	(7,700,992)	(7,457,718)
Closing deferred tax liability @ 28%	(2,179,264)	(2,102,489)	(2,156,279)	(2,088,161)
Closing deferred tax liability @ 25%	454	17	-	-
	(2,178,810)	(2,102,472)	(2,156,279)	(2,088,161)
Deferred Tax Assets				
Temporary difference arising from defined benefit obligation	774,908	736,444	705,368	686,889
Temporary difference arising from Obsolete stock	433,483	38,700	347,195	2,695
Temporary difference arising from Debtors Impairment	649,861	276,069	481,720	185,283
Temporary difference arising from Free Service Provision	68,936	-	68,936	-
Temporary difference arising from SLFRS Adjustments	95,619	-	69,159	-
Temporary difference arising from warranty provision	41,328	28,324	37,689	25,997
Temporary difference arising from Tax Losses	69,103	154,564	-	94,934
Temporary difference arising from Movement of Exchange loss	9,848	-	-	-
Total temporary difference of deferred tax assets	2,143,086	1,234,101	1,710,067	995,798
Closing deferred tax assets @ 28%	587,007	335,298	478,819	278,823
Closing deferred tax assets @ 25%	11,640	9,172	-	-
	598,647	344,470	478,819	278,823
Net temporary differences	(5,638,186)	(6,274,648)	(5,990,925)	(6,461,920)
Net deferred tax liability	(1,580,163)	(1,758,002)	(1,677,460)	(1,809,338)

4.24.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group As at 01.04.2019 Rs.'000	Group Recognised in Profit or Loss Rs.'000	Group Recognised in Other Comprehensive Income Rs.'000	Group As at 31.03.2020 Rs.'000	Company As at 01.04.2019 Rs.'000	Company Recognised in Profit or Loss Rs.'000	Company Recognised in Other Comprehensive Income Rs.'000	Company As at 31.03.2020 Rs.'000
Property, plant and equipment								
- Deferred tax liability	(2,102,472)	(49,927)	-	(2,152,399)	(2,088,161)	(45,844)	-	(2,134,005)
Retirement benefit obligation								
- Deferred tax asset	206,204	27,816	(17,044)	216,976	192,328	24,723	(19,549)	197,502
Obsolete Stock								
- Deferred tax asset	10,836	110,539	-	121,375	754	96,460	-	97,214
Debtor Impairment								
- Deferred tax asset	76,785	105,176	-	181,961	51,879	83,002	-	134,881
Warranty provision								
- Deferred tax asset	7,931	3,641	-	11,572	7,280	3,273	-	10,553
Free Service Provision								
- Deferred tax asset	-	19,302	-	19,302	-	19,302	-	19,302
SLFRS Adjustments								
- Deferred tax asset	-	26,772	-	26,772	-	19,364	-	19,364
- Deferred tax asset								
Long Term Contracts	-	(15,457)	-	(15,457)	-	(12,894)	-	(12,894)
Unrealized Gain/Loss								
- Deferred tax liability	-	(10,977)	-	(10,977)	-	(9,377)	-	(9,377)
Tax Losses								
- Deferred tax asset	42,736	(24,486)	-	18,250	26,582	(26,582)	-	-
- Effect of movement in exchange rates	(22)	-	2,484	2,462	-	-	-	-
	(1,758,002)	192,399	(14,560)	(1,580,163)	(1,809,338)	151,427	(19,549)	(1,677,460)

4.25 CONTRACT LIABILITIES AND DEFERRED INCOME

4.25.1 Contract Liabilities

Accounting Policy

Contract liabilities are the Group's/Company's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unprovided free services relating to vehicle sales.

Upon transferring the promised goods or services related to the liability, amount will be recognised as revenue in Statement of Profit or Loss and Other Comprehensive income.

Unprovided free services relating to vehicle sales

Accounting Policy

The Company sells vehicles bundled with free services to the customers with limitations on mileage or usage period. The unprovided free services are recognised as contract liability at the time of selling the vehicles at its relative fair value and recognised as revenue when the performance obligation relating to liability is satisfied. i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

Accounting Estimate - Relative fair value of free services

The amount charged by the Company in respect of each service is recognised at the relative fair value of free services. These amounts are estimated using the combination of historical experience in service and price changes.

Carrying Value of Contract Liabilities

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance Beginning of the year	761,970	467,338	448,169	260,524
During the year Addition	11,118,009	11,654,574	9,498,703	10,057,826
Amortisation	(11,076,158)	(11,359,942)	(9,556,704)	(9,870,181)
	803,821	761,970	390,168	448,169
Classified as current liabilities	706,666	684,978	335,690	418,591
Classified as non current liabilities	97,155	76,992	54,478	29,578
	803,821	761,970	390,168	448,169

4.25.2 Deferred Income

The table below summarises the details of deferred income of the Group/Company;

Carrying Value of Deferred Income

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Government grant (Note 4.25.2.1)	184,224	66,615	184,224	66,615
	184,224	66,615	184,224	66,615
Classified as current liabilities	184,224	66,615	184,224	66,615
Classified as non current liabilities	-	-	-	-
	184,224	66,615	184,224	66,615

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

4.25.2.1 Government Grant

Accounting Policy

Grant is initially recognised as a deferred income when there is a reasonable assurance that the Group/Company will comply with conditions,if any, associated with the grant and it will be received.

The grant that compensates income/expenses incurred is recognised in profit or loss on a systematic basis in the periods in which the expenses/income are recognised.

Grant includes government subsidy relating to fertiliser imports covered under government subsidy scheme.

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance Beginning of the year	66,615	-	66,615	-
Grants received during the year	882,762	911,216	882,762	911,216
Amortised during the year	(765,153)	(844,601)	(765,153)	(844,601)
At the end of the year	184,224	66,615	184,224	66,615

Details of grants are as follows;

Beneficiary	Purpose	Grantor	Carrying value	
			2020	2019
			Rs.'000	Rs.'000
Diesel & Motor Engineering PLC	Subsidy for fertiliser	Ministry of Agriculture	184,224	66,615

4.26 PROVISIONS

Accounting Policy

4.26.1 Provisions

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in Profit or Loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are calculated based on the historical experience and the specific terms in the individual cases. The Group arrives at an estimate on the basis of an evaluation of the most likely outcome.

All known provisions have been accounted for in preparing these Financial Statements.

4.26.2 Warranty Provisions

The provision for warranty relates mainly to vehicles sold for which the company gives warranty commencing from the date of sale. The warranty received by manufacturer is effective from date of shipment. This causes a time window during which the company is exposed to warranty liability. A provision for warranty is recognised to cover such exposure to a liability. The provision is based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said warranty provision will be reversed upon expiration of the warranty period.

4.26.3 Provision for litigation and claims

The Management considers likelihood of any claim succeeding, in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. The timing and cost ultimately depend on the due process in the respective legal jurisdictions.

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for warranty	41,328	28,324	37,689	25,999
	52,328	39,324	48,689	36,999

Carrying value of warranty provision

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Balance Beginning of the year	28,324	19,158	25,999	16,656
Provision made during the year	21,773	20,791	19,198	19,293
Amount used/reversed during the period	(8,769)	(11,625)	(7,508)	(9,950)
Carrying value at the end of the year	41,328	28,324	37,689	25,999

4.27 TRADE PAYABLES

Accounting Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Generally trade payables are due within 90 days.

Carrying Value of Trade Payables

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Trade payables	2,601,473	1,905,473	2,213,340	1,482,480

4.27.1 Carrying amount of trade payables are denominated in the following currencies

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Currency				
Sri Lankan Rupees	1,902,481	1,607,649	1,759,499	271,766
USD	543,023	145,361	316,487	954,389
Euro	155,969	152,463	137,354	256,325
	2,601,473	1,905,473	2,213,340	1,482,480

4.27.2 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Group and the Company as at the year-end was 0.72:1 and 0.62:1 respectively (2018/19 - Group 0.65:1, Company 0.55:1). 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. 1,604 million as bills payable corresponding to goods shipped but not received. At the time of settlement of bills, the Group will obtain short-term loans to cover the working capital cycle period of the imports.

Unutilised banking facilities are given in Note 4.22.2

4.28 OTHER CURRENT LIABILITIES

Accounting Policy

The Group classifies all non financial current liabilities under other current liabilities. Other current liabilities include accruals, advances and contingent consideration arisen through business combination. These liabilities are recorded at the amounts that are expected to be paid.

SECTION 4 - SPECIFIC ACCOUNTING POLICIES AND NOTES

Carrying Value of Other Current Liabilities

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Advanced received	237,257	435,436	124,991	352,577
Unclaimed dividend	10,113	9,959	10,113	9,959
Value Added Tax (VAT)	17,932	29,304	-	-
Consideration payable	-	67,355	-	67,355
Provisions for litigation and claims (Note 4.26.3)	11,000	11,000	11,000	11,000
Warranty provision (Note 4.26.3)	41,328	28,324	37,689	25,999
Other payables and accrued expenses	1,525,208	1,167,021	947,623	738,648
	1,842,838	1,748,399	1,131,416	1,205,538

Details of provisions are disclosed in Note 4.26

4.28.1 Terms of Settlement of Other Current Liabilities

Other current liabilities are non-interest bearing and payable within three months excluding advances and unclaimed dividends. Advances received are expected to be set-off within three months.

4.29 CURRENT TAX ASSETS AND LIABILITIES

Current tax assets are recognised at historical value less impairment. Current tax liabilities are recorded at the amounts expected to be paid.

Carrying Value of Current Tax Asset/(Liability)

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Opening balance	261,231	90,209	293,608	118,510
Reclassification	-	1,539	-	-
Current tax for the year (Note 4.6)	(270,782)	(112,451)	(204,301)	(3,128)
	(9,551)	(20,703)	89,307	115,382
Tax paid during the year:				
Current tax, ESC and withholding tax	310,873	281,934	146,988	178,226
	310,873	281,934	146,988	178,226
Current tax asset	301,322	261,231	236,295	293,608
Made up as follows:				
Current tax asset	306,663	304,642	236,295	293,608
Current tax liability	(5,341)	(43,411)	-	-
	301,322	261,231	236,295	293,608

4.30 AMOUNTS DUE (TO)/FROM SUBSIDIARIES AND EQUITY-ACCOUNTED INVESTEE

For the year ended 31st March	DIMO (Private) Ltd	DIMO Industries (Pvt) Ltd	DIMO Travels (Pvt) Ltd	PlantChem (Pvt) Ltd	PlantSeeds (Pvt) Ltd	DIMO Lanka Company Limited	United DIMO Company Limited	DIMO Coastline (Pvt) Ltd*	As at 31.03.2020	As at 31.03.2019
Shareholding	100%	100%	100%	51%	51%	100%	70%	40%		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	(190,451)	115,343	467	816	816	-	-	18,204	(54,805)	(398,099)
Sale of goods and services	35,219	496	-	714	5,003	-	-	1,362	42,794	14,373
Purchase of goods and services	(17,552)	(15,640)	-	-	(13,543)	-	-		(46,735)	(24,145)
Rendering of Management services	45,693	5,193	-	2,145	2,351	-	-	-	55,382	12,413
Expenses incurred on behalf of subsidiaries/ equity accounted investee	4,190	(1,887)	-	-	-	-	-	310	2,613	187,358
Fund transfers - net	170,388	(20,613)	100	(816)	(4,550)	-	-	(3,953)	140,556	139,211
Interest on fund transfers - net	(7,685)	11,936	-	-	-	-	-	-	4,251	23,894
Sale of fixed assets	(6,026)	-	-	-	-	-	-	-	(6,026)	(14,839)
Purchase of fixed asset	-	-	-	-	-	-	-	844	844	2,546
Exchange rate translation difference	-	-	-	-	-	-	-	1,034	1,034	2,483
Closing balance due (to)/from subsidiaries	33,776	94,828	567	2,859	(9,923)	-	-	17,801	139,908	(54,805)

* DIMO Coastline (Pvt) Ltd is an equity-accounted investee.

Diesel & Motor Engineering PLC has provided guarantees on behalf of DIMO Coastline (Pvt) Ltd and DIMO Lanka Company Limited amounting to Rs. 107.1 million (2018/19 - Rs. 52 million) for the purpose of obtaining banking facilities.

4.30.1 Summary of Amounts Due (to)/from Subsidiaries and Equity-accounted investee comprise:

As at 31st March	Group 2020 Rs.'000	Group 2019 Rs.'000	Company 2020 Rs.'000	Company 2019 Rs.'000
Amounts due from subsidiaries and equity accounted investee	17,801	18,204	149,831	135,646
Amounts due to subsidiaries	-	-	(9,923)	(190,451)
Amounts due (to)/from subsidiaries and equity accounted investee	17,801	18,204	139,908	(54,805)

SECTION 5 - OTHER DISCLOSURES

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards not covered elsewhere.

5.1 RELATED PARTY DISCLOSURES

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures'.

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

5.1.1 (a) Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the members of the Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMP. As the Company is the ultimate parent of the subsidiaries (listed in Note 2.2), the Board of Directors of the Company has the authority and responsibility for planning or controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company (Executive and Non Executive) are KMP of the Group.

Key Management Personnel (KMP) are entitled to discount schemes which are uniformly applicable to all employees of the Group.

Officers who are employees of Diesel & Motor Engineering PLC and Directors of the subsidiaries and not of the Company have been classified as KMP of the respective subsidiary only.

The Group revenue includes sales made to Key Management Personnel amounting to Rs. 8.1 million. (2018/19- Rs. 0.5 million).

5.1.1 (b) The Compensation Paid to Key Management Personnel (KMP)

The Executive Directors are entitled to a structured incentive scheme which is linked to performance.

The Company contributes towards a post-employment contribution plan for the Executive Directors. In addition to their salaries, the Company provides non-cash benefits to KMPs.

There are no share-based payments made to the Directors during the year.

No loans were granted to KMPs of the Company.

Compensation to Key Management Personnel of the Company are as follows:

As at 31st March	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short-term employment benefits	369,373	407,402	327,815	364,645
Post-employment benefits	52,039	65,279	48,327	58,319
Terminal benefits	-	-	-	-
Total compensation applicable to Key Management Personnel	421,412	472,681	376,142	422,964

The Company also has an obligation towards a post-employment benefit plan for the Executive Directors. The liability arising from the post-employment obligation has been provided for, based on an actuarial valuation and is disclosed under Employee Benefits in Note 4.23 to the Financial Statements.

5.1.1 (c) Transactions with Close Family Members of Key Management Personnel (KMP)

Close family members are defined as spouse or dependant. A dependant is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

There were no transactions with the close family members during the year.

5.1.2 Transactions with Companies in which Key Management Personnel (KMP) have Control or Significant Influence

There were no transactions with companies on which KMP have control.

The transactions with companies in which KMP is the Chairman or a Director of such entities are disclosed in 'Directors' Interests in Contracts' on page 62.

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 2020.

5.1.4 Transactions with Group Entities

The Company has carried out transactions with Group entities in the ordinary course of business. The details are set out in Note 4.30.

The Group has not recorded any impairment for receivables relating to amount owed by Group entities.

5.1.4 (a) Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Company as per 31 March 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

5.1.4 (b) Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

5.2 COMMITMENTS AND CONTINGENCIES

Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amounted to approximately 66.9 million (2018/19 - Rs. 1,209.8 million).

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on “Provisions, Contingent Liabilities and Contingent Assets”. Further, contingent liabilities are not recognised in Statement of Financial Position but are disclosed unless its occurrence is remote.

Currently the Group/Company is involved in legal actions arising out of the normal course of the business. The Group/Company does not expect the pending litigations and claims, individually and in aggregate, to have a material impact on the reported financial results of the Group.

Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2020 amounted to Rs.72.1 million (2018/19 - Rs. 49.3 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.

Guarantees

The contingent liabilities as at 31st March 2020 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 3,148.2 million (2018/19 - Rs. 2,211.6 million).

Income tax assessments

During the year of 2013/14, the Commissioner General of Inland Revenue issued an assessment notice for the year of assessment 2010/11 on Diesel & Motor Engineering PLC pertaining to an additional tax liability on account of disallowing 2/3rd of NBT claimed on imports. An Appeal was lodged against the tax assessed by the Department of Inland Revenue. The matter currently pending with the Tax Appeals Commission.

With the advice of our tax consultants and based on the information available and probability of the outcome, where the assessment of the management is that the probability is higher that the company would not be require to settle the liabilities, no provision has been made in the financial statements. The assessment value relating to this as at 31st March 2020 is estimated to be Rs. 124.7 million (2018/19 – Rs. 124.7 million).

SECTION 5 - OTHER DISCLOSURES

5.3 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The impacts from post-lockdown financial and economic implications on Group's/Company's going concern, estimation uncertainty, credit risk, liquidity risk and exchange rate risk are disclosed in relevant notes to these Financial Statements.

5.3.1. Temporary Suspension of Imports

As per the Gazette notice issued on 16th April 2020, the government imposed a 90-day restriction on selected imports that included vehicles. This may have an impact on the revenue of the Group/Company.

5.3.2. Post-lockdown Operation

After a strict lockdown period of over a month, curfew has been gradually eased off. Whilst the operations have resumed, it is encouraging that there is no indication of community spread in the country as of now. This has allowed the Group to commence operations subject to Health and Safety Guidelines. The Group has developed requisite Health and Safety Guidelines to ensure a safe environment for employees, customers and other stakeholders.

The full extent and duration of the post-lockdown economic implications on the Group's/Company's operations and financial performance will be felt during the financial year 2020/21 The Board of Directors has developed comprehensive action plans to mitigate the future risk associated with post-lockdown economic implications. The management is monitoring the situation clinically to mitigate the potential impact of this crisis on the Group's/Company's operations and financial performance.

5.3.3. Decline in fair value of investments

At each reporting period, the Group's/Company's equity securities are measured at fair value referring to quoted market prices in the active market. Due to COVID-19 outbreak, the CSE has experienced significant volatility. The operation of CSE was suspended from 20th March 2020 to 11th May 2020. Therefore, there were no quoted market prices as at 31st March 2020 to value Group's/Company's equity securities.

According to the direction issued by the Institute of Chartered Accountant of Sri Lanka, the Group/Company valued its equity securities at the market value as at 31st December 2019. However, at the date these financial statements were authorised for issue, the fair value of the Group's/Company's investments had declined from 6.5 million to 4.4 million and 6.4 million to 4.3 million respectively. These subsequent changes in the fair value of the equity securities are not reflected in the financial statements as at 31st March 2020.

Except for the disclosures made in above and other relevant notes in relation to the post-lockdown financial and economic implications arising from COVID-19 pandemic, there are no material events that occurred after the reporting date which requires an adjustment or disclosure to these financial statements.

APPENDICES

This final section contains information that is complementary to the main report.

APPENDIX I

SHARE INFORMATION

1 STOCK EXCHANGE LISTING

The issued ordinary shares of Diesel & Motor Engineering PLC,are listed with the Colombo Stock Exchange of Sri Lanka.

2 SHAREHOLDERS

The number of Ordinary Shareholders as at 31st March 2020 was 2,053 (1,952 as at 31st March 2019).

No of Shares Held	Resident			Non Resident			Total		
	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%	No of Share holders	Total No of Shares	%
1 - 1,000	1,788	186,279	2.10	25	6,865	0.08	1,813	193,144	2.18
1,001 - 10,000	178	495,907	5.59	7	24,497	0.28	185	520,404	5.86
10,001 - 100,000	36	933,041	10.51	1	19,000	0.21	37	952,041	10.73
100,001 - 1,000,000	16	5,408,058	60.93	1	37,530	0.42	17	5,445,588	61.35
1,000,001 and over	1	1,765,260	19.89	-	-	0.00	1	1,765,260	19.89
Total	2,019	8,788,545	99.01	34	87,892	0.99	2,053	8,876,437	100.00

Categories of Shareholders	31st March 2020			31st March 2019		
	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%
Individuals	1,918	5,638,375	63.52	1,869	5,531,443	62.22
Institutions	135	3,238,062	36.48	83	3,344,994	37.78
Total	2,053	8,876,437	100.00	1,952	8,876,437	100.00

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 2020 was Rs.250.00 (Rs. 304.70 as at 31st March 2019).

4 DIVIDEND PAYMENT

As at 31st March	2019/20 Rs.mn	2018/19 Rs.mn
First & Final Dividend-Rs. 2.50 per share	22*	-

* A first and final dividend of Rs. 2.50 per share was approved by the Board of Directors on 25th May 2019 for the Financial Year 2018/19 and was paid on 17th June 2019.

5 SHARE TRADING INFORMATION FROM 1ST APRIL 2019 TO 31ST MARCH 2020

	2019/20	Date	2018/19	Date
Highest (Rs.)	350.00	12-Apr-19	475.00	17-Apr-18
Lowest (Rs.)	245.00	13-Mar-20	290.00	27-Mar-19
Closing (Rs.)	250.00	13-Mar-20	304.70	29-Mar-19
No. of transactions	1,403		1,413	
No. of shares traded	417,618		59,388	
Value of shares traded (Rs.)	129,139,683		22,922,696	

6 PUBLIC SHAREHOLDING

As at 31st March	2019/20	2018/19
Public Holding %	53.18	53.18
No of Public Shareholders	2,040	1,940
Float adjusted market capitalisation	LKR. 1,180,175,750	LKR. 1,438,333,058

The Company complies with option 5 of the Listing Rules 7.13.1 (a) – Less than Rs.2.5 Billion Float Adjusted Market Capitalization which requires 20% minimum Public Holding.

7 SHARE ISSUES AND BUY-BACKS FOR THE PAST TWENTY YEARS

Year	Issue	No. of Shares	Price
2011/12	Scrip (one share per every fifty shares held)	174,048	Rs. 1,395.00
2008/09	Share Buy-Back	(1,397,611)	Rs. 160.00
2006/07	Rights (one share per every ten shares held)	1,100,000	Rs. 55.00
2006/07	Scrip (one share per every ten shares held)	1,000,000	Nil
2004/05	Scrip (one share per every nine shares held)	1,000,000	Nil
2003/04	Rights (one share per every two shares held)	3,000,000	Rs.20.00
2000/01	Scrip (one share per every four shares held)	1,200,000	Nil

8 CHANGES IN SHAREHOLDINGS OF DIRECTORS DURING 2019/20

* Name	Shareholding %	As At 31st March 2020	Movement of Shares	As At 31st March 2019
Mr A R Pandithage	21.74	1,929,735	-	1,929,735
Mr S C Algama	6.48	574,779	-	574,779
Mr A G Pandithage	6.43	570,862	-	570,862
Mr A N Algama	2.41	213,739	-	213,739
Mr A M Pandithage	2.53	224,172	-	224,172
Mr M V Bandara	0.02	1,682	(200)	1,882
	39.61	3,514,969	(200)	3,515,169

* Includes shares held by spouse

9 TOP TWENTY SHAREHOLDERS

	As At 31st March 2020		As At 31st March 2019	
Name	Shares	%	Shares	%
Employees Provident Fund	1,765,260	19.89	1,765,260	19.89
Mr. A R Pandithage	991,233	11.17	991,233	11.17
Mrs. J C Pandithage	938,502	10.57	938,502	10.57
A & G Investments Pvt Limited	640,765	7.22	640,765	7.22
Mr. S C Algama	567,786	6.40	567,786	6.40
Mr. A G Pandithage	525,814	5.92	525,814	5.92
Mr. A N Algama	213,739	2.41	213,739	2.41
Mr. C R Pandithage	212,081	2.39	51,340	0.58
Mr. T G H Peries	193,069	2.18	193,069	2.18
Almar Trading Co (Pvt) Ltd	191,250	2.15	279,945	3.15
Mr. A M Pandithage	182,319	2.05	182,319	2.05
Dr D.Jayanntha	160,000	1.80	160,000	1.80
Miss T.R.N.C Peries	148,009	1.67	148,009	1.67
Seylan Bank PLC/Janashakthi PLC	144,748	1.63		
Mr. L P Algama	134,569	1.52	134,569	1.52
Estate Of The Late Mr.N.U.Algama	118,845	1.34	118,845	1.34
United Motors Lanka Plc	109,883	1.24	109,883	1.24
Bank Of Ceylon	77,937	0.88	77,937	0.88
Mrs. I S Salgado	46,000	0.52	46,000	0.52
Mrs. H S Pandithage	45,048	0.51	45,048	0.51
	7,406,857	83.44	7,406,857	81.00

10 THE STATED CAPITAL REPRESENTS 8,876,437 ORDINARY SHARES.

APPENDIX II

LEVEL OF COMPLIANCE TO MANDATORY REGULATIONS

This section provides a navigation on the level of compliance to Companies Act and the regulations provided by the Colombo Stock Exchange.

Disclosures Required by the Companies Act No. 07 of 2007

Section Reference	Requirement	Annual Report Reference (Page)
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	76
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	70-130
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	65-69
168 (1) (d)	Accounting Policies and any changes therein	76-130
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	62
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	89
168 (1) (g)	Corporate donations made by the Company during the accounting period	89
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	20
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	89
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	59
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	58-61

Disclosures Required by the Listing Rules of the Colombo Stock Exchange

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1.(a)	Non-Executive Directors	At least two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	Four out of thirteen Directors were Non-Executive Directors throughout the year.
7.10.2.(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Compliant	Three out of four Non-Executive Directors were independent throughout the year.
7.10.2.(b)	Independence of Directors	Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Compliant	The Non-Executive Directors have submitted the declarations in the prescribed format
7.10.3.(a)	Disclosures relating to Directors	The names of Independent Directors should be disclosed in the Annual Report	Compliant	The names of Independent Directors are disclosed in the Board profile presented on page 10 and 11.
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 page 60.
7.10.3.(c)	Disclosures relating to Directors	A brief resume of each Director should be included in the Annual Report including his/her area of expertise	Compliant	A brief profile of each director is available in the Board profile presented on pages 10 and 11.
7.10.3.(d)	Appointment of new Directors	A brief resume of any new Director appointed to the Board	Not applicable	This requirement is not applicable as there was no appointments to the Board during the year
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee	Compliant	Names of the members of the Remuneration Committee are available on page 49

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.5.(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Compliant	Composition of the Remuneration Committee is available in the Remuneration Committee report presented on page 49
7.10.5.(b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	The manner in which the Remuneration Committee discharged its responsibilities is set out in the Remuneration Committee Report presented on page 49
7.10.5.(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out; a) Names of the Directors comprising the Remuneration Committee	Compliant	Refer the Remuneration Committee Report on page 49
		b) Statement of Remuneration policy	Compliant	Remuneration policy is disclosed in Remuneration Committee Report on page 49
		c) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Refer Note number 4.5 of Notes to the financial statements on page 89.
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are available on pages 47 – 48.
7.10.6.(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent	Compliant	Composition of the Audit Committee is available in the Audit Committee report presented on pages 47 – 48.
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	The Chairman of the Audit Committee is a member of The Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants UK
7.10.6.(b)	Functions of Audit Committee	Should be as outlined in Section 7.10 of the Listing Rules	Compliant	The terms of reference of the Audit Committee were adopted by the Board on 20th June 2007 and last reviewed on 24th May 2016, and cover the areas outlined in section 7.10
7.10.6.(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of the Directors comprising the Audit Committee	Compliant	Refer the Audit Committee Report on pages 47-48
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	The determination of Auditor's independence and the basis for such determination is disclosed in the report of the Audit committee from pages 47-48.
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Compliant	Refer the Audit Committee Report on pages 47-48.

APPENDIX III

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
GRI 102: General Disclosures 2016					
Organizational profile					
	102-1 Name of the organization	4			
	102-2 Activities, brands, products, and services	24-29			
	102-3 Location of headquarters	145			
	102-4 Location of operations	145			
	102-5 Ownership and legal form	145			
	102-6 Markets served	19, 24-29			
	102-7 Scale of the organization	19, 36			
	102-8 Information on employees and other workers	34, https://www.dimolanka.com/sustainability-performance/			
	102-9 Supply chain	16-17			
	102-10 Significant changes to the organization and its supply chain	16-17, 5-9			
	102-11 Precautionary Principle or approach	5-9, 41-52			
	102-12 External initiatives	5-9, 41-52			
	102-13 Membership of associations	https://www.dimolanka.com/sustainability-performance/			
Strategy					
	102-14 Statement from senior decision-maker	5-9			
	102-15 Key impacts, risks, and opportunities	53-55			
Ethics and integrity					
	102-16 Values, principles, standards, and norms of behaviour	14			
	102-17 Mechanisms for advice and concerns about ethics	39			
Governance					
	102-18 Governance structure	41			
	102-19 Delegating authority	41			
	102-20 Executive-level responsibility for economic, environmental, and social topics	38			
	102-21 Consulting stakeholders on economic, environmental, and social topics	14-15			
	102-22 Composition of the highest governance body and its committees	10-11			
	102-23 Chair of the highest governance body	10-11			
	102-24 Nominating and selecting the highest governance body	51-https://www.dimolanka.com/stewardship/			
	102-25 Conflicts of interest	50-https://www.dimolanka.com/stewardship/			
	102-26 Role of highest governance body in setting purpose, values, and strategy	41			
	102-27 Collective knowledge of highest governance body	51			
	102-28 Evaluating the highest governance body's performance	https://www.dimolanka.com/stewardship/			
	102-29 Identifying and managing economic, environmental, and social impacts	38-40, https://www.dimolanka.com/stewardship/			
	102-30 Effectiveness of risk management processes	53-55			
	102-31 Review of economic, environmental, and social topics	38-40, https://www.dimolanka.com/stewardship/			
	102-32 Highest governance body's role in sustainability reporting	4, https://www.dimolanka.com/stewardship/			
	102-33 Communicating critical concerns	14, https://www.dimolanka.com/sustainability-performance/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
	102-34 Nature and total number of critical concerns	14, https://www.dimolanka.com/sustainability-performance/			
	102-35 Remuneration policies			Confidentiality Constraints	Not disclose due to confidentiality of the data
	102-36 Process for determining remuneration	https://www.dimolanka.com/stewardship/			
	102-37 Stakeholders involvement in remuneration			Confidentiality Constraints	Not disclose due to confidentiality of the data
	102-38 Annual total compensation ratio			Confidentiality Constraints	Not disclose due to confidentiality of the data
	102-39 Percentage increase in annual total compensation ratio			Confidentiality Constraints	Not disclose due to confidentiality of the data
Stakeholder engagement					
	102-40 List of stakeholder groups	14-15, https://www.dimolanka.com/sustainability-performance/			
	102-41 Collective bargaining agreements	https://www.dimolanka.com/sustainability-performance/			
	102-42 Identifying and selecting stakeholders	14-15, https://www.dimolanka.com/sustainability-performance/			
	102-43 Approach to stakeholder engagement	https://www.dimolanka.com/sustainability-performance/			
	102-44 Key topics and concerns raised	https://www.dimolanka.com/sustainability-performance/			
Reporting practice					
	102-45 Entities included in the consolidated financial statements	4, 19			
	102-46 Defining report content and topic Boundaries	4			
	102-47 List of material topics	14, https://www.dimolanka.com/sustainability-performance/			
	102-48 Restatements of information	4			
	102-49 Changes in reporting	https://www.dimolanka.com/sustainability-performance/			
	102-50 Reporting period	4			
	102-51 Date of most recent report	4			
	102-52 Reporting cycle	4			
	102-53 Contact point for questions regarding the report	145			
	102-54 Claims of reporting in accordance with the GRI Standards	4			
	102-55 GRI content index	136 -143			
	102-56 External assurance			Logistic restrictions	Not conducted due to logistic restrictions came from COVID-19 pandemic

APPENDIX III

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
GRI 200 Economic Standard Series					
Economic Performance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	22-23, 32-33, 38-39			
	103-2 The management approach and its components	22-23, 32-33, 38-39			
	103-3 Evaluation of the management approach	22-23, 32-33, 38-39			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	38-39			
	201-2 Financial implications and other risks and opportunities due to climate change	38-40			
	201-3 Defined benefit plan obligations and other retirement plans	120			
	201-4 Financial assistance received from government	None			
Indirect Economic Impacts					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	38-40			
	103-2 The management approach and its components	38-40			
	103-3 Evaluation of the management approach	38-40			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	38-40			
	203-2 Significant indirect economic impacts	https://www.dimolanka.com/sustainability-performance/			
Procurement Practices					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	38-40 & https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	38-40 & https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	38-40 & https://www.dimolanka.com/sustainability-performance/			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	38-40, https://www.dimolanka.com/sustainability-performance/			
GRI 300 Environmental Standards Series					
Materials					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	38-40, https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	38-40,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	38-40,https://www.dimolanka.com/sustainability-performance/			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	https://www.dimolanka.com/sustainability-performance/			
	301-2 Recycled input materials used	https://www.dimolanka.com/sustainability-performance/			
	301-3 Reclaimed products and their packaging materials	https://www.dimolanka.com/sustainability-performance/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Energy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	302-2 Energy consumption outside of the organization	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	302-3 Energy intensity	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	302-4 Reduction of energy consumption	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	302-5 Reductions in energy requirements of products and services	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
Water					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	303-2 Management of water discharge-related impacts	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	303-3 Water withdrawal	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	303-4 Water discharge	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
Emissions					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	305-2 Energy indirect (Scope 2) GHG emissions	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	305-3 Other indirect (Scope 3) GHG emissions	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	305-4 GHG emissions intensity	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	305-5 Reduction of GHG emissions	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	305-6 Emissions of ozone-depleting substances (ODS)	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	23, 38-40,https://www.dimolanka.com/sustainability-performance/			

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GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Effluents and Waste					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-2 The management approach and its components	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-3 Evaluation of the management approach	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	306-2 Waste by type and disposal method	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	306-3 Significant spills		N/A		
	306-4 Transport of hazardous waste		N/A		
	306-5 Water bodies affected by water discharges and/or runoff	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
Environmental Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-2 The management approach and its components	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-3 Evaluation of the management approach	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	23, 38-40,https://www.dimolanka.com/ sustainability-performance/			
GRI 400 Social Standards Series					
Employment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-2 The management approach and its components	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-3 Evaluation of the management approach	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	401-3 Parental leave	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
Labor/ Management Relations		23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-2 The management approach and its components	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			
	103-3 Evaluation of the management approach	23, 34-35, 38-40,https://www.dimolanka.com/ sustainability-performance/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	https://www.dimolanka.com/sustainability-performance/			
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	403-2 Hazard identification, risk assessment, and incident investigation	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	403-3 Occupational health services	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	403-4 Worker participation, consultation, and communication on occupational health and safety	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	403-5 Worker training on occupational health and safety	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	403-6 Promotion of worker health	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
	403-9 Work-related injuries	23, 34-35, 38-40,https://www.dimolanka.com/sustainability-performance/			
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 34-35,https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	23, 34-35,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	23, 34-35,https://www.dimolanka.com/sustainability-performance/			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	23, 34-35,https://www.dimolanka.com/sustainability-performance/			
	404-2 Programs for upgrading employee skills and transition assistance programs	23, 34-35,https://www.dimolanka.com/sustainability-performance/			
	404-3 Percentage of employees receiving regular performance and career development reviews	23, 34-35,https://www.dimolanka.com/sustainability-performance/			
Non-discrimination					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	https://www.dimolanka.com/sustainability-performance/			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	https://www.dimolanka.com/sustainability-performance/			

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GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Human Rights Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	https://www.dimolanka.com/sustainability-performance/			
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	https://www.dimolanka.com/sustainability-performance/			
	412-2 Employee training on human rights policies or procedures	https://www.dimolanka.com/sustainability-performance/			
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	https://www.dimolanka.com/sustainability-performance/			
Local Communities					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
	413-2 Operations with significant actual and potential negative impacts on local communities	23, 38-40,https://www.dimolanka.com/sustainability-performance/			
Customer Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	9, 55, https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	9, 55, https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	9, 55, https://www.dimolanka.com/sustainability-performance/			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	9, 55, https://www.dimolanka.com/sustainability-performance/			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	9, 55, https://www.dimolanka.com/sustainability-performance/			
Marketing and Labeling					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23, 39, https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	23, 39, https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	23, 39, https://www.dimolanka.com/sustainability-performance/			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	23, 39, https://www.dimolanka.com/sustainability-performance/			
	417-2 Incidents of non-compliance concerning product and service information and labeling	23, 39, https://www.dimolanka.com/sustainability-performance/			
	417-3 Incidents of non-compliance concerning marketing communications	23, 39, https://www.dimolanka.com/sustainability-performance/			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Customer Privacy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	https://www.dimolanka.com/sustainability-performance/			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	https://www.dimolanka.com/sustainability-performance/			
Socioeconomic Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	https://www.dimolanka.com/sustainability-performance/			
	103-2 The management approach and its components	https://www.dimolanka.com/sustainability-performance/			
	103-3 Evaluation of the management approach	https://www.dimolanka.com/sustainability-performance/			
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	https://www.dimolanka.com/sustainability-performance/			

APPENDIX IV

TEN YEAR SUMMARY

Year Ended 31st March	2019/20 Rs.'000	2018/19 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000	2010/11 Rs.'000
Operating Results										
Revenue	34,557,871	38,300,350	43,686,158	44,492,990	37,749,750	28,037,376	20,884,674	27,711,604	39,862,943	29,357,271
Profit before taxation	279,527	104,119	716,607	1,043,392	1,380,059	847,033	512,858	490,021	3,724,521	3,395,980
Income tax	(78,383)	(27,436)	(193,391)	(386,601)	(433,453)	(250,950)	(119,317)	(27,871)	(1,022,870)	(1,274,228)
Profit for the year after taxation	201,144	76,683	523,216	656,791	946,606	596,083	393,541	462,150	2,701,651	2,121,752
Profit attributable to Owners of the Company	195,011	51,307	519,309	656,791	946,606	596,083	393,541	462,150	2,701,651	2,121,752
Capital Employed										
Stated capital	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297	425,297	182,500
Other components of equity	4,077,499	4,055,979	4,050,962	2,839,898	2,839,356	2,838,894	2,018,475	2,014,752	2,014,752	1,135,612
Revenue reserves	7,476,214	7,259,568	7,268,900	6,899,747	6,725,026	5,973,747	5,473,721	5,191,118	5,000,566	2,882,735
Non-controlling interests	369,921	339,607	304,203	-	-	-	-	-	-	-
Total equity	12,348,931	12,080,451	12,049,362	10,164,942	9,989,679	9,237,938	7,917,493	7,631,167	7,440,615	4,200,847
Total borrowings	11,286,683	10,134,164	9,188,923	8,382,217	6,484,996	5,253,838	5,950,126	3,417,800	5,045,829	3,068,466
Total capital employed	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313
Assets Employed										
Non- current assets	12,243,971	11,776,291	11,695,795	8,357,266	7,982,821	8,039,357	6,937,410	5,719,010	4,763,435	3,099,509
Current assets	19,781,600	17,523,901	16,891,197	14,402,152	12,349,823	9,910,853	9,157,244	7,183,369	10,536,783	7,839,972
Total liabilities (excluding borrowings)	(8,389,957)	(7,085,577)	(7,348,707)	(4,212,259)	(3,857,969)	(3,458,434)	(2,227,035)	(1,851,412)	(2,813,774)	(3,670,168)
Total assets employed	23,635,614	22,214,615	21,238,285	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313
Cash Flow										
Net cash from/(used in) operating activities	(88,575)	(626,464)	463,058	(654,758)	(836,816)	648,049	(726,849)	3,207,700	(2,430,074)	1,793,848
Net cash from/(used in) investing activities	(377,995)	(360,050)	(1,113,776)	(684,812)	(223,129)	(677,408)	(1,361,283)	(970,581)	(788,829)	(937,710)
Net cash from/(used in) financing activities	1,244,309	1,245,649	155,879	(847,598)	(495,191)	(340,735)	975,156	(474,062)	277,902	(377,658)
Net increase/(decrease) in cash and cash equivalents	777,739	259,135	(494,839)	(2,187,168)	(1,555,136)	(370,094)	(1,112,976)	1,763,057	(2,941,001)	478,480
Key Indicators										
Earnings per share (Rs.)	21.97	5.78	58.50	73.99	106.64	67.15	44.34	51.16	304.36	239.03
Net assets per share (Rs.)	1,349.53	1,322.70	1,323.18	1,145.16	1,125.42	1040.73	891.97	859.71	838.24	473.26
Market value per share (Rs.)	250.00	304.70	464.90	559.90	549.70	630.00	505.00	505.00	982.20	1,484.70
Dividend per share (Rs.)	2.5*	-	20.00	24.00	27.00	20.00	10.00	10.00	40.00	61.00
Dividends Paid (Rs.'000)	22,191	-	177,529	213,034	239,664	177,529	88,764	88,764	244,102	443,822
Annual sales growth (%)	(9.77)	(12.33)	(1.81)	17.86	34.64	34.25	24.64	(30.48)	35.91	178.78
Equity to total assets ratio (%)	37.40	40.07	41.09	44.66	49.13	51.46	49.19	59.15	48.63	38.40
Debt to equity ratio (%)	91.40	83.89	76.26	82.46	64.92	56.87	75.15	44.79	67.81	73.04
Dividend pay out (%)	11.03	-	33.93	32.44	25.32	29.78	22.56	19.21	9.04	20.92
Dividends cover (no. of times)	9.06	-	2.95	3.08	3.95	3.36	4.43	5.11	7.61	4.00
Price earnings ratio (no. of times)	11.38	52.71	7.95	7.57	5.15	9.38	11.39	9.70	3.23	6.21
Current ratio (no. of times)	1.20	1.24	1.24	1.30	1.47	1.45	1.50	1.71	1.60	1.27
Quick asset ratio	0.72	0.65	0.54	0.49	0.56	0.75	0.70	0.72	0.31	0.84
Turnover to capital employed (no. of times)	1.46	1.72	2.06	2.40	2.29	1.93	1.51	2.51	3.19	4.04
Interest Cover (no. of times)	1.20	1.07	1.68	2.22	3.93	3.00	2.42	2.42	15.67	17.35
Average no. of employees	1939	1906	1788	1,649	1,554	1,524	1,518	1,433	1,179	942

* A first and final dividend of Rs. 2.50 per share was approved by the Board of Directors on 25th May 2019 for the Financial Year 2018/19 and was paid on 17th June 2019.

CORPORATE INFORMATION

NAME OF THE COMPANY
Diesel & Motor Engineering PLC

REGISTERED OFFICE
P.O. Box 339,
No. 65, Jetawana Road,
Colombo 14, Sri Lanka.

Telephone : +94-11-2449797,
+94-11- 2338883
Website : www.dimolanka.com
E-mail : dimo@dimolanka.com
Facsimile : +94-11-2449080

LEGAL FORM
A public limited Company incorporated in 1945 under the Laws of the Democratic Socialist Republic of Sri Lanka. The Company was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 9th May 2008.

COMPANY REGISTRATION NUMBER
PQ 146

FOUNDED
1939

ACCOUNTING YEAR END
31st March

TAX PAYER IDENTIFICATION NUMBER (TIN)
104002498

STOCK EXCHANGE LISTING
The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

AUDITORS
KPMG,
Chartered Accountants,
P.O. Box 186,
No 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3, Sri Lanka.

LAWYERS
Julius & Creasy
Attorneys-at-law & Notaries Public
P.O. Box 154,
No 41, Janadhipathi Mawatha Colombo 01
Sri Lanka

BANKERS
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
Hong Kong & Shanghai Banking Corporation Ltd
Nations Trust Bank PLC
NDB Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank

COMPANY SECRETARY
B.C.S.A.P. Gooneratne, F.C.A., M.B.A. (Sri J.)

COMPANY REGISTRARS
Jacey and Company No.9/5,
Thambiah Avenue Off Independence Avenue
Colombo 07
Sri Lanka

NOTICE OF MEETING

NOTICE is hereby given that the Seventy Fifth Annual General Meeting of DIESEL & MOTOR ENGINEERING PLC will be held as a as a Hybrid Meeting at the DIMO 800, Sirimavo Bandaranaike Mawatha, Colombo 14 on Tuesday 30th June 2020 at 9.30 am and the business to be brought before the meeting will be:

Agenda

1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2020, the Report of the Auditors and the Annual Report of the Board of Directors for the said year.
2. Directors
   (i) To re-elect Mr. Pushpawela Kankanamge Wijith Mahendra, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

   (ii) To re-elect Mr. Sri Rama Waidayasekera Mudiyanselage Chaminda Ranawana, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.

   (iii) To re-elect Asite Drupath Bandara Talwatte, Director, who retires by rotation in terms of Article 66 of the Association of the Company.

   (iv) To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who being over the age of 70 years old and vacates his office in terms of Section 210 of the Companies Act No.7 (the Act).

   Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

   "RESOLVED THAT Mr. Asoka Ranjith Pandithage, who being over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Asoka Ranjith Pandithage"

   (v) To re-appoint as a Director Mr. Ranjeevan Seevaratnam, who being over the age of 70 years old and who and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

   Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

   "RESOLVED THAT Mr. Ranjeevan Seevaratnam, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Ranjeevan Seevaratnam"

   (vi) To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who being over the age of 70 Years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

   Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

   "RESOLVED THAT Mr. Sarath Chandrasiri Algama, who is over the age of 70 years of age be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Sarath Chandrasiri Algama"

   (vii) To re-appoint as a Director Mr. Ajit Nimal Algama, who is over the age of 70 years and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).

   Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

   "RESOLVED THAT Mr. Ajit Algama, who is over the age of 70 years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Ajit Nimal Algama"
3. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.
4. To authorise the Directors to determine contributions to charities.

   The profiles of the Directors proposed for re-election are given on pages 10 to 11 of the Annual Report.

Notes:

A shareholder is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a shareholder of the Company.

A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at Registered Office of the Company at No.65, Jetawana Road, Colombo 14 or forwarded by email to ishara.danansooriya@dimolanka.com in order to enable the Company to receive the same not less than forty eight (48) hours prior to the time appointed for the holding the AGM.

As mentioned in the Circular to the shareholders dated 29th May 2020, the 75th AGM will be held as a Hybrid meeting at Diesel & Motor Engineering PLC, "DIMO 800", No 800, Sirimavo Bandaranaike Mawatha, Colombo 14. Instructions given in the Circular to Shareholder must be followed to join the meeting physically or virtually.

By Order of the Board,

Diesel & Motor Engineering PLC
Company Registration No. PQ-146

B.C.S.A.P. Gooneratne
Secretary

Colombo
29th May 2020

FORM OF PROXY

I/We the undersigned, ...of

....

being a shareholder / shareholders of **DIESEL & MOTOR ENGINEERING PLC**, hereby appoint

of ....

....Holder of NIC No. ....whom failing,

Mr. Asoka Ranjith Pandithage	whom failing
Mr. Aruna Gahanath Pandithage	whom failing
Mr. Ajit Nimal Algama	whom failing
Mr. Sarath Chandrasiri Algama	whom failing
Mr. Mudiyanselage Vijitha Bandara	whom failing
Dr. Harsha Cabral	whom failing
Mr. Bodiyabaduge Charindra Suresh Alexius Perera Gooneratne	whom failing
Mr. Pushpawela Kankanamge Wijith Mahendra	whom failing
Mr. Abeykumar Mohan Pandithage	whom failing
Mr. Sri Rama Waidayasekera Mudiyanselage Chaminda Ranawana	whom failing
Mr. Asanga Nishamen Ranasinghe	whom failing
Mr. Ranjeevan Seevaratnam	whom failing
Mr. Asite Drupath Bandara Talwatte	whom failing

as my/our* proxy to represent me/us*and to vote and **.................. as indicated hereunder for me/us and on my/our behalf at the SEVENTY FIFTH ANNUAL GENERAL MEETING of the Company to be held on Tuesday 30th June 2020 and at any adjournment thereof, and at every poll which may be taken in consequence thereof. I/We* the undersigned hereby authorise my/our* proxy to vote on my/our* behalf in accordance with the preference indicated below:-

	For	Against
(1) To receive and consider the Audited Financial Statements for the Year Ended 31st March, 2020, the Report of the Auditors and the Annual Report of the Board for the said year.	❑	❑
(2) Directors		
(i) To re-elect Mr. Pushpawela Kankanamge Wijith Mahendra, Director, who retires by rotation in terms of Article 66 of the Articles of Association	❑	❑
(ii) To re-elect Mr. Sri Rama Waidayasekera Mudiyanselage Chamind Ranawana Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
(iii) To re-elect Mr. Asite Drupath Bandara Talwatte, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	❑	❑
(iv) To re-appoint as a Director Mr. Asoka Ranjith Pandithage, who being over the age 70 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007, the Resolution pertaining to which re-appointment is set out in the Notice of Meeting of the Annual Genral Meeting .	❑	❑
(v) To re-appoint as a Director Mr. Ranjeevan Seevaratnam, who being over the age of 70 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007, the Resolution pertaining to which re-appointment is set out in the Notice of Meeting of the Annual General Meeting.	❑	❑
(vi) To re-appoint as a Director Mr. Sarath Chandrasiri Algama, who being over the age of 70 Years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007, the Resolution pertaining to which re-appointment is set out in the Notice of Meeting of the Annual General Meeting.	❑	❑
(vii) To re-appoint as a Director Mr. Ajit Nimal Algama, who being Over the age 70 Years and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007, the Resolution pertaining to which re-appointment is set out in the Notice of Meeting of the Annual General Meeting.	❑	❑
(3) To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	❑	❑
(4) To authorise the Directors to determine contributions to charities.	❑	❑

As witness my/our hand this .... day of .... Two Thousand and Twenty

....
Signature of Shareholder

*Please delete as appropriate.

Notes:

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with two asterisks (**) and initial such insertion.

Please indicate with an "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxy holder doubt (by reason of the way in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder shall vote as he thinks fit.

A Proxy holder need not be a member of the Company

Shareholders who are unable to participate at the meeting are encouraged to duly complete the form of proxy clearly setting out their preference of vote under each matter set out therein and to appoint a director of the Company to act on their behalf.

Instructions as to completion appear below.

As mentioned in the Circular to the shareholders dated 29th May 2020, the 75th AGM will be held as a Hybrid meeting at Diesel & Motor Engineering PLC, "DIMO 800", No 800, Sirimavo Bandaranaike Mawatha, Colombo 14. Instructions given in the Circular to Shareholder must be followed to join the meeting physically or virtually.

Instruction as to Completion

1. To be valid this Form of Proxy must be deposited at the Registered Office of the Company at No.65, Jetawana Road, Colombo 14 or forwarded by email to ishara.danansooriya@dimolanka.com in order to enable the Company to receive the same not less than forty eight (48) hours prior to the time appointed for the holding the AGM.

2. The full name and address of the Proxy holder and of the Shareholder appointing the Proxy holder should be entered legibly in the Form of Proxy.

3. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details overleaf and initial against this entry.

4. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

5. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notarially certified copy thereof, should also accompany the completed Form of Proxy if it had not already registered with the Company

Designed & produced by
emagewise

DIESEL & MOTOR ENGINEERING PLC
P.O. Box 339, No. 65, Jetawana Road, Colombo 14, Sri Lanka.
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www.facebook.com/dimosrilanka