
Diesel & Motor Engineering PLC

Annual Report 2016/17

ON THE FRONT LINE



ON THE FRONT LINE

The DIMO tribe has always been inspired by our mission statement to 'create value responsibly'. Every year we evaluate our value creation process in clear and simple terms, discussing the strategies and systems by which our complex business enterprise is managed and analysing our financial results through the pages of this, our Integrated Annual Report.

Over the years and in partnership with our thousands of customers, business partners and other associates, we have built a valuable and respected business enterprise that works to the same principles of responsibility, integrity and trustworthiness as it did at origin. The year under review has not been an easy one and we anticipate more challenges to come. Yet we remain confident that we can hold our lines and battle forward, to keep delivering sustainable growth in the years that lie ahead.

The powerful synergies and strengths we integrate into our business model will continue to serve us well. But it is the unswerving loyalty and fighting spirit of the DIMO tribe on the frontline that ignites our far-flung and complex business operations, to deliver the seamless value we fearlessly pledge to our stakeholders every single day.



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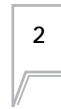


Introductory Statements

Excellence....right down the line

Welcome to our seventh integrated Annual Report! We begin with our corporate philosophy, highlights of the year under review followed by a message from the Chairman/ Managing Director A. R. Pandithage and the review of the Group Chief Executive Officer A. G. Pandithage of DIMO. The section ends with a brief guide to reading this Annual Report, setting the context for the detailed disclosures that follow.

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Context

A clear line of sight

We begin with an overview of DIMO, our Group Structure and history. We then introduce our Board of Directors and senior management team, followed by a discussion of the DIMO value creation model and overall strategy. The reader also learns how we engage with our stakeholders, together with an analysis of our sustainability performance.

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Enterprise Governance

Staying in line

DIMO is committed to responsible and transparent governance and here we offer a detailed analysis of how we manage enterprise governance, risk management and conformance.

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ONLINE REFERENCES:

The HTML version of the Annual Report 2016/17 can be read at <http://www.dimolanka.com/investors/financial-reports>
 Supplementary information of the Annual Report 2016/17 can be read at <http://www.dimolanka.com/sustainability-performance/>
 Code of Best Practices of Corporate Governance detail disclosure of the Annual Report 2016/17 can be read at <http://www.dimolanka.com/stewardship/>

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Value Creation
Top of the line

Here we look at the capitals that provide inputs, the performance of diverse business segments. We also describe the economic, social and environmental impacts of our value creation activities.

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Financial Information
In line with your expectations

The DIMO Financial Statements are presented here, together with accompanying reports and statements.

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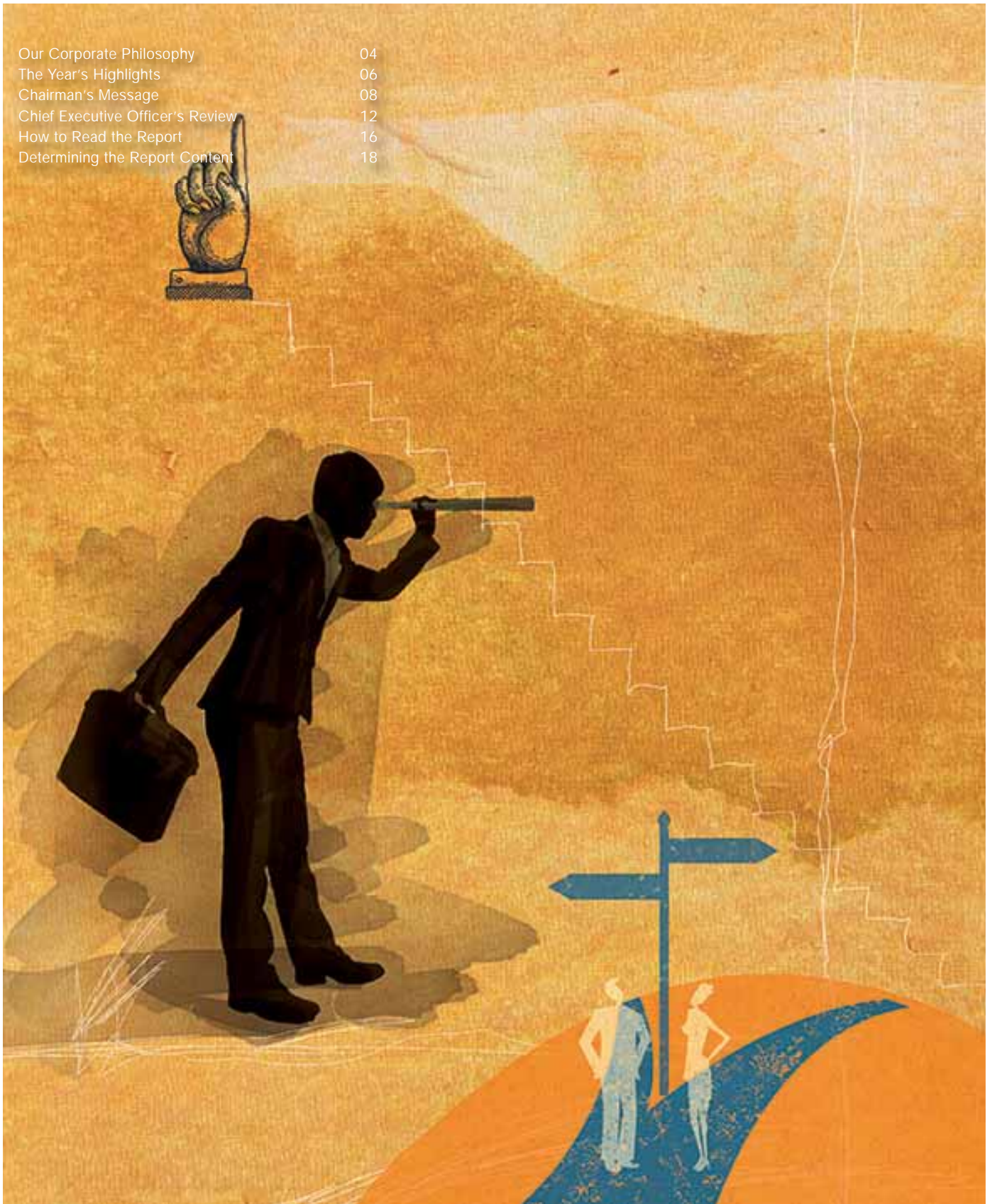
Supplementary Information
Leading the line

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Our Aspiration

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

Our Purpose

To create value responsibly

Our Values

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



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



The Year's Highlights

The year's story is a complex one. While on the whole, your company delivered a reasonable performance yet again in the year under review, our industry sectors have been forced to operate in a very challenging environment and the year ahead is predicted to be equally if not more difficult.

Chairman's Message

There were four new appointments to the Board during the year

- Mr. A. D. B. Talwatte
- Mr. M. V. Bandara
- Mr. P. K. W. Mahendra
- Mr. S. R. W. M. Ranawana

As a responsible corporate, we too decided to take our sustainability reporting to the next level and present our report in accordance with the recently issued GRI Standards.

Group Chief Executive Officer's Review



MONETISED CAPITAL

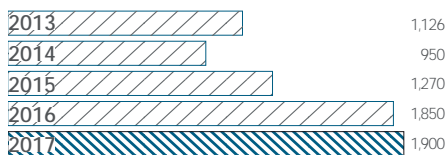
REVENUE GREW

44.5 Rs. Bn.
In 2015/16 37.7

PAT DECREASED

657 Rs. Bn.
In 2015/16 947

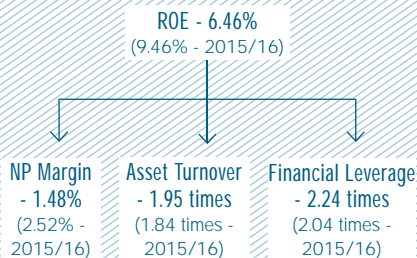
EBIT MARGINALLY INCREASED (Rs. Mn)



DIVIDEND DECREASED

24 Rs.
In 2015/16 27
Dividend per Share

KEY FINANCIAL OUTCOMES



NET ASSET PER SHARE IMPROVED

1,145.16 Rs.
In 2015/16 1,125.42

MARKET CAPITALISATION IMPROVED

4.97 Rs. Bn.
In 2015/16 4.88

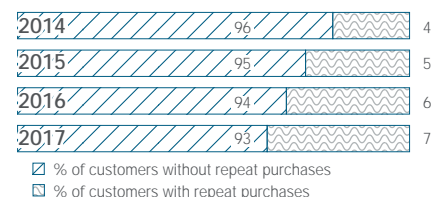


RELATIONSHIP CAPITAL

CUSTOMER SATISFACTION IMPROVED

90 %
In 2015/16 88%
Customer Satisfaction Index

RETAINING THE CUSTOMERS



REACHING THE CUSTOMER

65 Customer Interaction Points
In 2015/16 60

OUR NEW HOME IN KURUNEGALA ON A FIVE ACRE PROPERTY



Winner of the Mercedes-Benz Service Excellence award in South East Asia in 2016

TATA MOTORS
ONE WORLD

Distributor of the year 2016 Awarded by TATA Motors Limited



HUMAN CAPITAL

OUR TRIBE

1,725 Number of employees

In 2015/16

1,573

A GREAT PLACE TO WORK - FOR THE FOURTH CONSECUTIVE YEAR



One of the best twenty five companies in Sri Lanka to work for

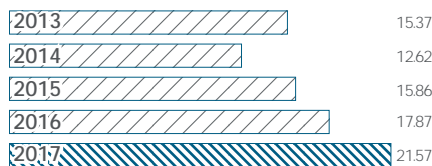
TRAIN AND GAIN

36,818 Number of Knowledge & Skills Development Training Hours

In 2015/16

26,735

AVERAGE TRAINING HOURS INCREASED



EMPLOYEE EXPERIENCE ENHANCED

64.56%

In 2015/16

62.04%

Employee Satisfaction Index



ECONOMIC IMPACT

CREATING VALUE

18,204 Rs. Mn.

In 2015/16

14,956

Monetised Value Added

IMPROVED TSR

11.13%

In 2015/16

-9.57%

Total Shareholder Return (TSR)



ENVIRONMENTAL IMPACT

ECOLOGICAL FOOTPRINT

TOTAL CARBON FOOTPRINT

7,923 tCO₂e

In 2015/16

7,224

ENERGY CONSUMPTION PER EMPLOYEE

43.27 GJ

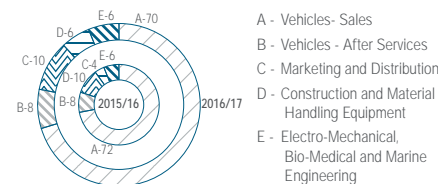
In 2015/16

43.94



OUR BUSINESS

REVENUE COMPOSITION - GROUP (%)



SOCIAL IMPACT

CASE STUDY: FORMULA STUDENT - QUEST FOR TALENT



COMMITMENT TO SUSTAINABLE DEVELOPMENT

109 Rs. Mn.

In 2015/16

68

Community Development Investment

KEEPING OUR PROMISE

In our 2015/16 Annual Report, we pledged that we will engage our employees to collect at least 456 kgs of plastics for re-cycling. As usual, we kept to our promise.

OUR SOCIAL ACCOUNTABILITY MANAGEMENT SYSTEM ADOPTED THE SA 8000:2014 STANDARD



Introducing new E-class, raising the threshold of Luxury

RELATED DIVERSIFICATION

Ventured into fertilizer business towards the end of the financial year, adding another offering to our agri-inputs business.

EXCELLENCE...RIGHT DOWN THE LINE

Moving the Goal Lines

A message from the Chairman/Managing Director, Mr. A.R. Pandithage



MR. A.R. PANDITHAGE
Chairman/Managing Director

"My tribe is well equipped to face the challenges that come their way in the ensuing year. We have approached the new financial year with plans to overcome these challenges."

“...in these tough times, we believe that the steadfast loyalty and fighting spirit of the DIMO tribe on the front line will continue to drive our continued success and deliver the seamless value we confidently pledge to our stakeholders now and into the future.”

On the Front Line

This year's story is a complex one. While our Company performed reasonably well on the whole, our industry sectors have been forced to operate in a very challenging environment. The year ahead is predicted to be equally, if not more, difficult.

We realise that we have a battle ahead. This is why the theme of this year's Annual Report is 'On the Front Line'. Despite these tough times, we believe the fighting spirit of the DIMO tribe will drive us from the frontline. What we pledge to our stakeholders will be delivered with steadfast loyalty.

A Mixed Bag on the Economic Front

The financial year turned out to be a challenging one. External economic factors were a mix of favourable and unfavourable. The AWPLR showed a significant increase during the year and was strongly felt and reflected in the results. The Sri Lankan Rupee depreciated at a manageable level, while the GDP growth rate was a moderate 4.4% (4.8% - 2015/16). The economic sectors in which we have businesses recorded very moderate levels of growth in 2016, with the exception of the construction industry, which recorded a substantial growth of 14.9% (2.7% - 2015/16). Although the transport sector grew by 4.1% (5.0% - 2015/16), the number of vehicle registrations, excluding two and three-wheelers, reduced by 42.9%. Overall, it was a mixed bag.

A Change of Scenario in the Third Quarter

We saw a turnaround in the Government tariff policy applicable to small vehicles. The comparatively low tariffs governing commercial and passenger small vehicles saw a significant increase in the third quarter. TATA Ace (popularly known as 'DIMO Batta') and single and double cabs were among the commercial vehicles most affected. These vehicles previously brought in a significant revenue stream. Their market size has now shrunk to less than 25% of the pre-tariff revision volumes. The full impact of this however, was not felt during the

year as stocks imported prior to tariff revisions were sold at previous prices until the year end.

Widespread Consequences

Small commercial vehicles are widely used in micro and small scale businesses; they are considered a vital cog for inclusive economic growth. The higher tariffs have had an adverse impact on these sectors. We have made representations to the Government highlighting the impact of the tariff increase on micro and small scale businesses, as well as on us and consequently, on Government revenue.

A Word of Appreciation Too

On the other hand, I must express appreciation to the Government authorities for streamlining the administration of vehicle imports, including the methodology adopted in the calculation of tariff. It is my view that the present tariff regime for vehicle imports has enabled a more realistic method of administering tariff on vehicle imports, thereby facilitating a level playing field.

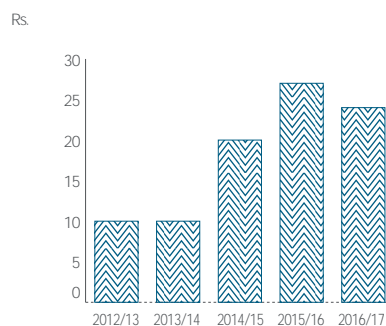
Top Line Growth Did Not Help

The 18% increase in turnover did not flow through to the bottom line. Reduced margins, and increased administration and financial costs dragged down the profit before tax to Rs.1,043 million (Rs.1,380 - 2015/16). From a segmental perspective, the results of the Vehicle Sales segment remained flat, while the results of the Vehicle - Aftercare, Construction and Material Handling Equipment segment showed an increase. The Marketing & Distribution and Electro-Mechanical, Bio-Medical and Marine Engineering segments decreased, compared to the previous year. However, EBIT marginally increased to Rs.1,900 million from Rs.1,850 million in the previous year.

Dividends

The dividend for the year amounted to Rs.24 (Rs.27 - 2015/16) per share, which was declared as an interim dividend in March 2017.

DIVIDEND PER SHARE



Rs. 657 Mn

Profit After Tax

Rs.947 Mn (2015/16)

We have to proactively deal with the 'millennial mindset' of emerging young leaders and our customers who share a similar mindset. Their values and preferences make us re-think our value propositions from content to delivery. We are aware that understanding this mindset will help us to foresee the future and smoothly transform our business models accordingly. The need for transformation will be an important part of our leadership coaching.

In Line for Growth

The performance of our largest business segment - Vehicle Sales, depends to some extent on the Government tariff policy. From a historical point of view, it has contributed significantly and consistently to overall profitability. We continue aggressively to pursue a higher market share in the vehicle sales segment. At the same time, over the recent years we have consciously directed our efforts to grow in other segments. Such efforts implemented during the past few years are now yielding results, and I am happy to note that many of our growth plans in other segments are coming to fruition. Our budgets indicate that the new business segments are going to make a noteworthy contribution to profits and growth in the ensuing year.

Footprint in Agriculture Sector

Our present presence in the agriculture sector consists mainly of the harvesters and tractors we offer. With a view to expanding our footprint in agriculture, we will be launching a fertilizer business in the very near future. We recently acquired a twenty-nine acre property close to Dambulla, which will be used for our agriculture business. It will be developed as a Centre of Excellence for the 'DIMO - Agri' brand.

Beyond the Shores

Last year, we decided to look beyond our shores for growth. Our efforts are mainly to harness our engineering expertise outside Sri Lanka. We have now identified ventures in the Maldives and Myanmar for investments. In the Maldives, we will join hands with a reputed local partner to commence a ship and marine craft repair business. The investment in Myanmar will initially focus on an automotive workshop with plans to venture into other areas.

Our New Home in Kurunegala

Kurunegala has always been significant in our growth plans, particularly for the Commercial Vehicle business. In order to reach our customers better, we embarked on a journey to open more branches. The second branch in Kurunegala commenced work back in October 2016; that journey has now brought us to 32 branches and 33 customer contact points and display points. Our growth plans include a second wave of investments beyond Colombo with a view to expand the existing capacity and serve our customers better. As a first step, we developed the Centre of Excellence on a five-acre property in Kurunegala, housing our new vehicles showroom and a 15,447 square-foot workshop. This facility started operations in October 2016.

Prepared to Overcome Challenges

Last year was a very turbulent period. The unexpected increase in the tariff on small commercial vehicles, escalating interest rates, slowing down of projects and a few other factors combined, posed a serious challenge to the profitability of the Group. Frequent changes in tariffs also made our medium and long-term strategies less effective. This situation led us to resort to short-term plans as opposed to taking a long-term view of the tariff policy. My tribe is well equipped to face the challenges that come their way in the ensuing year. We have approached the new financial year with plans to overcome these challenges.

DIMO as a Model of Resilience

To build DIMO as a model of resilience that can withstand all challenges and pressures, is of paramount importance. This calls for an internally-focused strengthening process that addresses the basic fabric of the organisation. When aligned, our values, our systems, structured processes, practices and sound principles, give DIMO the ability to build a reputation as a corporate role model.

Collaborate and Differentiate

We pursue an approach of collaboration and differentiation to gain a competitive edge. Collaboration comes from employees and differentiation is sought in five key areas. Engaged employees and best-in-class business partners are key for collaboration to be effective.

Employee Engagement is Key

We value the contribution of a well-engaged employee. Therefore, nurturing our tribe members as precious resource, and securing their engagement, are key responsibilities placed upon the DIMO leadership. Employee engagement is a key facet in our talent management strategy. It is our sincere desire to make our employee value proposition - "making work enjoyable and rewarding" a reality at all times.

Best-in-class Business Partners

We treasure our business partners, particularly our foreign principals, with whom we have built strong relationships over the years. Our best-in-class business partners and our tribe members form a strong coalition to deliver a resource pool that drives our differentiation strategy. Therefore, nurturing and forming lasting relationships with business partners is a key area of our focus.

Need to Transform

We have to proactively deal with the 'millennial mindset' of emerging young leaders and our customers who share a similar mindset. Their values and preferences make us re-think our value propositions from content to delivery. We are aware that understanding this mindset will help us to foresee the future and smoothly transform our business models accordingly. The need for transformation will be an important part of our leadership coaching.

Leveraging Technology

Technology is increasingly embedded in our offering and its delivery. It can no longer be considered a mere enabler. Our partnerships with the best-in-class technology providers in the world, places us in an advantageous position to leverage technology to compete efficiently. Building the technological competency of our tribe members thus takes priority in our training agenda.

Our Role in Sustainable Development

Our commitment to sustainable development emanates from our mission statement, which reads "create value responsibly". This is put into practice through the principles of sustainability and sustainable development goals (SDGs) embraced

by the Group. The Impact Management Report presented in this annual report provides a detailed account of the economic, social and environment impact made by our value creation activities and outputs. It also provides an account of our contribution to achieving SDGs. I am happy to note that our carbon footprint reduced from 0.1917 tCO₂e per Rs.1.0 million turnover to 0.1731.

Social Accountability

Our employees drive our value chain. They are assisted by external parties such as subcontractors. It is our duty to ensure that everyone who participates in our value chain within our sphere of influence is treated fairly and with respect. Our social accountability management system is aimed at delivering on this duty. In order to enhance credibility of this system, we sought SA8000 accreditation from the Social Accountability International (SAI). The evaluation process was recently concluded and we were informed of our eligibility for this certification. I consider this accreditation to be a true reflection of our business ethics.

Integrated Reporting – The Journey Continues

We have now tread the Integrated Reporting <IR> journey for seven years. Our strong belief is that integrated reporting will allow our stakeholders to capture our enterprise value creation in a holistic manner, without being limited only to monetised value creation and sustainability. Presently, we are shepherded by the reporting guidelines issued by the International Integrated Reporting Council (IIRC). We trust that more guidance will be forthcoming from the IIRC as we gather momentum in our IR journey.

A Warm Welcome

I extend a warm welcome to Messrs. A.D.B. Talwatte, M.V. Bandara, P.K.W. Mahendra and S.R.W.M.C. Ranawana, who joined the Board with effect from 01st June 2016. Mr. Talwatte joined the Board as a Independent Non-Executive Director and Messrs. Bandara, Mahendra and Ranawana who have previously served the Group as Chief Operating Officers of their respective divisions, now function as Executive Directors.

Acknowledgments

Many have contributed to the success of our journey so far and towards the future of DIMO. Thank you very much to our customers who inspire us by placing their faith in us; our business partners for seeing value in us; and my amazing tribe members who work tirelessly to take DIMO to greater heights. To my colleagues on the Board, thank you for your astute guidance.

Outlook

Our country is in a phase where aggressive investment plans are drawn by successive Governments. Therefore, we expect public and private sector investments to increase in the short and medium term. The significant investments we have been making in capacity building will position us well to ride this wave.

A short-term perspective indicates mixed fortunes. The upward revision of the tariff of small commercial vehicles during the third quarter is bound to hurt our top line and bottom line in the ensuing year, unless we see a reversal of this policy at least during the second quarter. However, counter strategies are in place to minimise the adverse impact of the tariff increase. We would also gladly welcome a favourable revision in the loan-to-value ratio in vehicle financing. The higher volumes planned in Mercedes-Benz Passenger and Commercial vehicles are expected to provide a boost to the vehicle sales segment.

Some key road construction projects are expected to take off during the year. This will provide an impetus to the Construction Machinery and Material Handling Segment, and also to the sales of heavy commercial vehicles. We have secured a fair share of work in the private sector construction segment and this should help the Building Technologies business to perform well. Additional revenue streams are expected from new investments in the Agriculture sector, including fertilizer. Overall, our budgets indicate an improved performance in the ensuing year.



A.R. PANDITHAGE
 Chairman/Managing Director

23rd May 2017
 Colombo

EXCELLENCE...RIGHT DOWN THE LINE

On the Right Lines

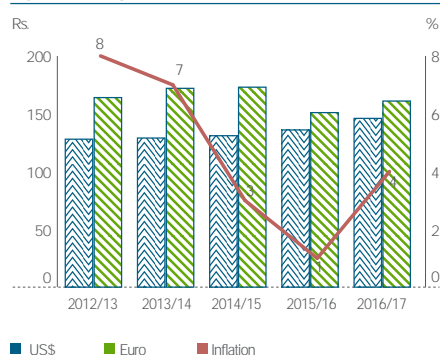
A review of operations from the Group Chief Executive Officer, Mr. A.G. Pandithage



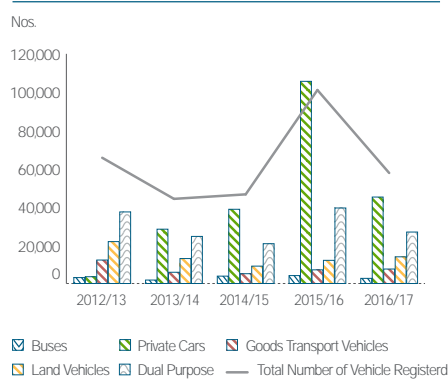
MR. A.G. PANDITHAGE
Group Chief Executive Officer

"Teamwork is the driving force behind our success today. This report is a tribute to the commitment and hard work of everyone working in the great partnerships that together form the DIMO Tribe."

CURRENCY RATE AT YEAR END VS INFLATION



REGISTRATION OF MOTOR VEHICLES



Overview

The primary business interests of the DIMO group involve the supply of capital goods for use in different economic sectors. Users of this equipment often fund their investments through borrowings and therefore, the fortunes of these sectors are closely linked to the prevalent borrowing rates. Other economic aspects such as exchange rates and the growth of the aligned economic sectors are also linked to the performance of the Group. A table capturing key economic indicators and their relevance to DIMO is presented in the Business Report on page 83.

Financial Result

The turnover and gross profit increased by 18% and 13% respectively over last year's. The gross profit margin reduced to 16.71% from 17.43% last year. The net profit before tax reduced by 24%. However, earnings before interest and tax (EBIT) improved slightly to Rs.1,900 million from Rs.1,850 million previous year. 24% increase in administration cost and 82% in finance cost were key factors that curtailed profits.

Vehicle Sales Segment

The Sri Lankan automobile industry remains highly volatile due to constantly changing tariffs and regulations. The first three quarters of the year did not see any significant change in tariff and during each quarter, the segment recorded a revenue growth over the preceding quarter. The changes in tariff consequent to the government budget proposals in November 2016 and increase

in loan to value (LTV) ratio on small commercial vehicles, curtailed our segment revenue during the last quarter. The registration of vehicles decreased by 26% in 2016 compared to 2015. Vehicle registrations excluding two and three wheelers fell by 43% during the same period.

The absence of negative sentiment in the first three quarters helped the number of vehicles sold for the year to decrease by 11% (increase by 33% - 2015/16) and the segment turnover to increase by 15% (45% - 2015/16). The segment turnover accounted for 71% of the Group turnover. The segment result remained flat as a consequence of reduced Gross Profit margins, higher administration and finance costs.

Vehicles – After Services Segment

The transportation sector, which has a bearing on this segment, grew by 4.1% compared to 5.0% in 2015. The Tata spare parts business showed a 27% (28% - 2015/16) growth surpassing its budgets. This helped the turnover of the vehicle after services segment to increase by 21% and consequently, the segment result by 48%. Improvements in productivity are sought on a continuous basis to further improve the profitability of our vehicle repair workshops. Presently, we hold 186 (186 – as at 31/03/2016) work-bays in the western province and 107 (103 – as at 31/03/2016) work-bays outside it. Our short and medium term aim is to expand our workshop capacity outside the western province. The amount spent during the year on technology,

The turnover and gross profit increased by 18% and 13% respectively over last year's. The gross profit margin reduced to 16.71% from 17.43% last year. The net profit before tax reduced by 24%. However, earnings before interest and tax (EBIT) improved slightly to Rs.1,900 million from Rs.1,850 million previous year.

Registration of Motor Vehicles vs Vehicle Sales of the Group

Class of Vehicles	Registration of Motor Vehicles			Vehicles Sales of the Group		
	2016	2015	Growth Rate %	2016	2015	Growth Rate %
Motor Cars (a)	45,172	105,628	(57)	907	1,778	(49)
Buses	2,685	4,140	(35)	366	405	(10)
Dual Purpose Vehicles (b)	26,887	39,456	(32)	9,543	11,287	(15)
Goods Transport Vehicles (c)	7,563	7,142	6	1,808	1,316	37
Land Vehicles (d)	13,947	12,105	15	1,241	794	56
Total	96,254	168,471	(43)	13,865	15,580	(11)

Availability of experienced, technically skilled labour in the vocations related to our business is another challenge at hand. This is perhaps due to the shortage of high quality technical colleges and the absence of suitable long term courses relating to technical and vocational education in areas such as automobile engineering. This problem is further aggravated by the migration of labour in search of greener pastures.

tools and equipment for workshops amounted to Rs.98 million (Rs.34 million - 2015/16). Technical competence, which is a critical aspect in providing after care for vehicles, is enhanced on a continuous basis. The employees in the vehicles – after service segment received 3,987 hours (4,061 hours - 2015/16) of training during the year.

Marketing and Distribution

While the segment turnover increased by 13% (15% - 2015/16), the segment result decreased by 35% (13% - 2015/16). The Power Tools and Original Equipment (OEM) businesses made positive contributions to this segment while the Consumer and Bosch Auto Components businesses fell well below expectations. Focused attention is now being given to turning these two businesses around.

Construction and Material Handling Equipment

The construction sector rebounded during 2016 recording a substantial growth of 14.9%, recovering from a 2.7% contraction recorded in 2015; this trend is expected to continue, at least in the short term. In a relatively supportive environment, the segment turnover and the segment result increased by 66% (decreased by 11% - 2015/16) and 21% (decreased by 16% - 2015/16) respectively. With road construction projects expected to recommence, this segment should produce an improved result.

Electro-Mechanical, Bio Medical and Marine Engineering

Fortunes of this segment depend on many sectors and subsectors of the economy. They include the industrial, power, water, health and construction sectors. While the segment turnover increased by 23% (22% - 2015/16), the segment result decreased by 28% (Increased by 82% - 2015/16). A below par performance in the power engineering business and the absence of profits

earned from a large scale engineering project carried out last year contributed to the reduction in the segment result this year.

Challenges

Demand contractions, triggered by high tariff and higher LTV ratio on small commercial vehicles, have significantly curtailed the revenue stream from small commercial vehicles. On the other hand, keen interest can be seen for larger commercial vehicles. Plans are afoot to ramp up resources for larger commercial vehicle sales.

Availability of experienced, technically skilled labour in the vocations related to our business is another challenge at hand. This is perhaps due to the shortage of high quality technical colleges and the absence of suitable long term courses relating to technical and vocational education in areas such as automobile engineering. This problem is further aggravated by the migration of labour in search of greener pastures.

DIMO Auto Training School

Against the back drop of the shortage of experienced technical personnel, we have on our part made a significant investment in our DIMO Automobile Training School (DATS), which produces technically qualified personnel, with particular emphasis on automobile engineering. DATS is headed by a full time expatriate employee, who counts many years of experience in technical training in different parts of the world, including Europe. The graduands are free to look for career opportunities outside DIMO upon completion of the two year course. We consider and take pride in this as one of our contributions to the nation and the industry. Although it may be a step in the right direction when addressing the shortage of skilled labour, the immediate problem of sourcing experienced technical personnel continues to persist.

Non-monetised Capital

Our integrated reporting journey leads us to give due importance to our non-monetised capitals, as our long term sustenance depends on how well we manage and nurture them. This integrated report will cover our non-monetised capitals in more detail. We have opted to classify them as Relationship Capital consisting of Customers and Business Partners, Human Capital and Intellectual Capital.

Committed to a Common Cause

In order to effectively pursue our mission statement, it is imperative that all our tribe members are aligned towards it, and that they are suitably engaged to play their role effectively. Therefore, we actively seek ways to promote employee engagement and also carry out a survey to measure it. The engagement score of the annual employee engagement survey increased this year to 3.88 out of a maximum score of 5.0, from a score of 3.85 in the last year.

Sustainability

Our mission statement directs us to create value responsibly. This is the origin of our commitment to creating value for our stakeholders and doing so in a responsible manner. Our philosophy, values, structures, systems and processes encourage commitment to such behaviour. We make our commitment to sustainable development and inclusive growth transparent and visible through our corporate reporting process.

Global Reporting Initiative Standards

We always follow best practices in corporate reporting and in reporting matters relating to sustainability. In the past few years, our sustainability reporting has been guided by the GRI G4 guidelines. In October 2016, the Global Sustainability Standards Board (GSSB) issued the GRI Sustainability Reporting Standards (GRI Standards) taking sustainability reporting to another level. As a responsible corporate, we too decided to take our sustainability reporting to the next level and present our report in accordance with the recently issued GRI Standards.

Staying Ahead

Adopting best practices and employing systems that work well for us help us to stay ahead. The best practices we adopt have manifested themselves in the many awards and accolades received during year for Integrated Reporting, Sustainability Reporting, Human Resource Management, and Service Excellence among others. A full list of the awards and accolades received during the year is presented on page 81.

Growth Strategy

We continuously pursue opportunities to grow. Our growth strategy in the past has taken an organic route. It is time to pursue new paths that can help the Group to propel itself to the future. We have considered alternative growth strategies in depth, and have chosen the path of related diversification. This allows us to drive growth through the strength of our intellectual capital. Our agricultural inputs business will thus shortly see an expansion with the addition of the fertiliser business to its portfolio.

Outlook

The reversal of fortunes in the fourth quarter of the year, after experiencing revenue growth in each of the first three quarters, is likely to continue in the first quarter of the new financial year. However, the forecasted increase in demand for medium and large commercial vehicles is expected to at least partially compensate for the decline in revenue that commenced in the fourth quarter of last year. Higher volumes and turnovers are budgeted from Mercedes-Benz vehicles.

Better and more effective utilisation of workshops and productivity improvements are part of plans to improve profitability from the after sales business. Results are also expected to flow in from further expansion of the franchised spare parts distribution business. Consequently, an improved performance is forecasted for the Vehicles-After Services segment.

We continuously pursue opportunities to grow. Our growth strategy in the past has taken an organic route. It is time to pursue new paths that can help the Group to propel itself to the future. We have considered alternative growth strategies in depth, and have chosen the path of related diversification.

Based on the plans for the year, we expect that the Marketing & Distribution segment will reflect a better performance. Specific plans were drawn to turn around two of its businesses that performed below par last year.

Against the backdrop of another year of growth forecasted for the construction sector, including road construction, and also from our forecasts of growth in power and water sectors, an improved performance is expected from the Construction & Material Handling segment and the Electro-Mechanical, Bio-Medical and Marine Engineering segment.

The increase in the administration and finance costs during the year under review suggests that managing these costs requires close attention. The efforts will cover improvements in working capital management.

Overall, the budgets indicate an improved performance for the financial year ending 31st March 2018.



A.G. PANDITHAGE

Director/Group Chief Executive Officer

23rd May 2017

Colombo

EXCELLENCE...RIGHT DOWN THE LINE

How to Read this Report

Board's stewardship role brings upon it an obligation to be transparent and accountable. Potential investors seek information relating to the value creating ability of the Group in the short, medium and long term. Laws and regulations require publication of Financial Statements, reports, other statements and disclosure of specified information. This Annual Report is prepared and presented to satisfy the aforesaid requirements and needs.

In here we explain basic information that provide basis of preparation of this Annual Report and that will be useful to understand this report.

Enterprise Governance

This report is organised around DIMO's story of value creation. The story presents key aspects of our value creation process which are the different forms of capital that provide the inputs, business domains and the value creating activities that result outputs, outcomes and impacts. It also covers risks and the aspect of conformance. Therefore the report is an account of Enterprise Governance at DIMO.

Our value creation model aims to create value, while balancing the Company's responsibilities towards its diverse stakeholders including shareholders and the environment. How the Company did this over the past financial year through performance and conformance is discussed comprehensively through the different sections of this report. In addition, the manner in which the Group has complied with the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka (SEC) is available in the Company website at www.dimolanka.com.

Report Boundaries

This report covers the activities of Diesel & Motor Engineering PLC (DIMO) and its Subsidiaries, collectively referred to as DIMO Group, spanning a 12-month period ending 31st March 2017. There have been no changes in reporting scope and/or boundaries from the previous year. The Consolidated Financial Statements of the Group appearing from pages 122 to 165 provides information on financial reporting boundary of the Group. Business Report appearing from pages 82 to 93 identifies the activities of the Group.

This report also cover risks, opportunities and outcomes that could materially affect the organisation's ability to create value.

This report is organised around DIMO's story of value creation. The story presents key aspects of our value creation process which are the different forms of capital that provide the inputs, business domains and the value creating activities that result outputs, outcomes and impacts. It also covers risk and the aspect of conformance. Therefore the report is an account of Enterprise Governance at DIMO.

Laws, Regulatory Frameworks, Standards, Guidelines and Protocols

This report was prepared in accordance with the following laws, regulatory frameworks, standards, guidelines and protocols:

Sri Lankan Laws, Regulatory Frameworks, Standards and Guidelines

- The Companies Act No. 07 of 2007
- The Listing Rules of the Colombo Stock Exchange (CSE)
- Sri Lanka Accounting Standards (SLFRSs/ LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka

International Guidelines, Standards and Protocols

- 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)
- The Greenhouse Gas Protocol Corporate Standard published by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) used to measure and report on the Group's carbon footprint

A soft copy of this Annual Report is available on the Company website: www.dimolanka.com.

Sustainability

The information content of the report also covers the economic, social and environmental impacts resulting from the value creation activities of the Company and its subsidiaries operating across the island, and includes a reasonable assessment of potential impacts. Sustainability Reporting principles including Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness have been given due consideration in determining the report content.

This report also contains the Sustainability Objectives set by the Sustainability Committee, which are formulated based on material aspects

identified. The test of materiality embedded in our processes has ensured that we report on all material issues relating to sustainability regarding aspects internal and external to the organisation within the sphere of influence of the Company. The DIMO stakeholder identification process ensures stakeholder inclusiveness. The Sustainability Committee has approved all the information and data relating to sustainability objectives that are contained in this report.

Information relating to sustainability is prepared "In accordance - comprehensive" of the GRI Standards. The GRI content index is available from pages 169 to 174.

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

Non-financial information in this report pertaining to the previous year has not been restated, unless otherwise stated.

Independent Assurance

The Board has obtained following independent assurances relating to information presented in this Annual Report.

- Assurance from the Independent Auditors on the Consolidated Financial Statements (Independent Auditors' Report)
- Assurance from DNV GL Business Assurance Lanka (Pvt) Ltd on Non- Financial Information (Appendix III – independent Assurance Statement on Non-Financial Reporting) according the AA1000 Assurance Standard.

Determining Materiality of the Report Content

The materiality assessment of the report content appears on pages 18 and 19.

Board of Directors' Statement on the Seventh Integrated Annual Report

The Board of Directors:

- acknowledges that reasonable care has been taken in 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; and
- believes that, to the best of its 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. D. B. TALWATTE
Chairman - Audit Committee



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

Determining the Report Content

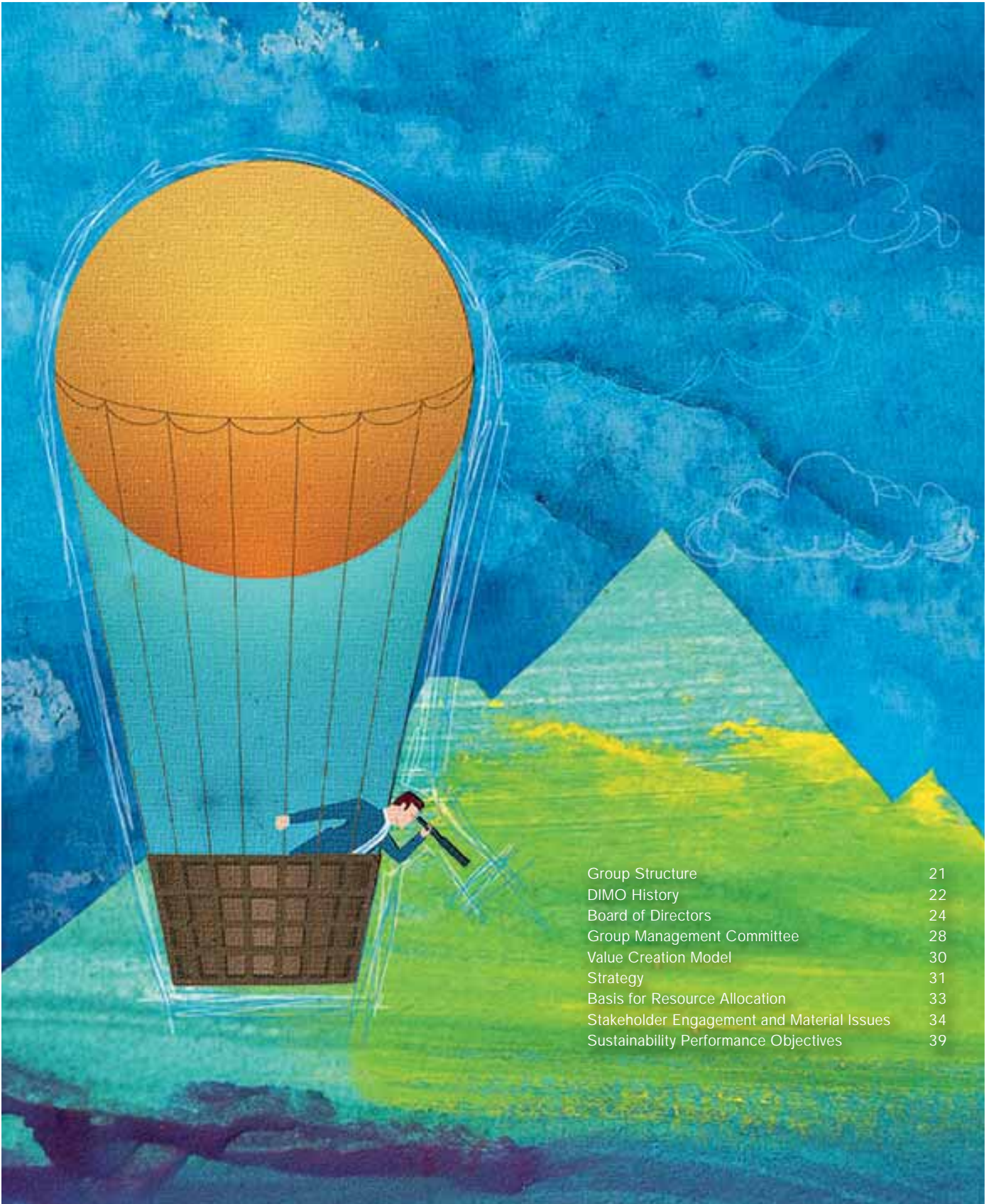
As a part of its role of stewardship, the Board has identified areas that are material for value creation. Diffusion of Stewardship presented on page 41 explains those areas under two dimensions namely; Performance and Conformance. The value creation model presented from pages 30 to

31 explains the manner in which value is created by DIMO. This materiality assessment is done with a view to determining the aspects of the aforesaid dimensions that could have a material impact on value creation and to determine what needs to be reported on and included in this Integrated

Annual Report. Material aspects highlighted in the risk management process and feedback from stakeholder engagement have been given due consideration in determining material aspects.

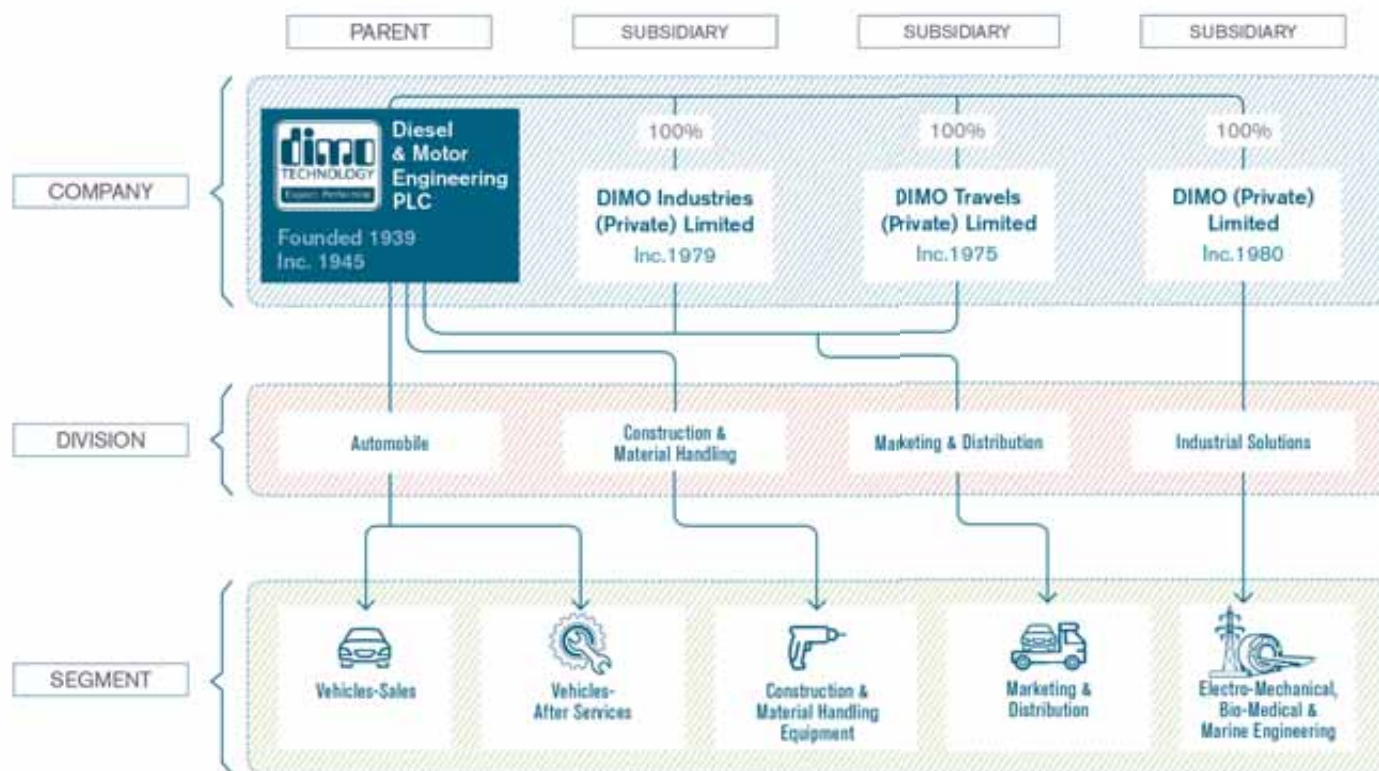
Dimensions of Enterprise Governance	Aspects Material to Value Creation	Justification for Inclusion as a Material Aspect	
Performance	Capital management	<p>Capitals represent stores of value that can be built up, transformed or run down over time in the process of value creation. Their availability, quality and affordability can affect the long term ability of our value creation. The capitals must therefore be carefully managed if they are to continue to help DIMO to sustain value creation over short, medium and long term. Accordingly we have identified five capitals that are material to our ability to create value.</p> <p>Natural capital has not been considered as a capital on materiality grounds (as explained in page 98 under paragraph 01 in Environmental Impact Report). However, the impact that the value creation activity may have on the environment has been duly covered under environmental impact report (Refer page 98 to 105).</p>	
	Value creation management	<p>We operate in five diversified business segments. Those segments bring revenue streams to the Group. Value creation through each business segment is enabled by eight value creation activities, using inputs received from capitals. Effective utilisation of capitals and the manner in which the value creation activities are managed, determine the achievement of desired outcomes and impacts.</p>	
	Impact management	<p>The stewardship role played by Directors demand that they act responsibly towards stakeholders and also act as a responsible corporate citizen. In addition, any negative impact that our value creation has on society, environment and the economy could result in irrecoverable reputational damage. Thus it is vital to identify and respond to material impacts our value creation has on our stakeholders and the environment.</p>	
	Risk management	<p>Our path to achieving expected outcomes through value creation is full of uncertainties and events that may negatively affect different aspects of performance and conformance. Those risks, therefore, need to be identified, assessed and managed on a timely basis to ensure that we create value as expected.</p>	
Conformance	Mandatory conformance	<p>Mandatory rules and regulations affect the way we create value and they cannot be compromised in any way. Any failure to comply could impact our "license to operate" as a corporate. Thus it is important to structure our value creation process in a way that ensures adherence to mandatory regulations all the way through value creation.</p>	
	Voluntary adherence	<p>The stewardship role played by Directors demand transparency throughout the value creation process. Voluntary adherence to best practices in conformance is seen as a way to building a strong, responsible and an ethical organisation that will be transparent and ethical.</p>	

	Aspect of the Value Creation Model Represented	Basis on Which the Report Content is Determined	Report Content
	Monetised capital	The capital building model of each capital shows aspects that nurtures them. Those aspects provide the basis for the report content. Accordingly we report on each capital, capital building model and aspects that nurture it.	Capital Report from page 62 to 81
	Relationship capital - customers		
	Relationship capital - Business Partners		
	Human capital		
	Intellectual capital		
	Value creation activities	Business segments have been determined based on principles outlined in Sri Lanka Accounting Standards. Reporting content on value creation management is decided based on the value creation in business segment. Resource allocation, performance and the results of each business segment is reported to provide an account of the success or failure of Group's value creation management.	Business Report from page 82 to 93
	Business segments	In addition, an illustration to demonstrate the linkages between value creation activities, capitals and business segments are presented in the business report.	Basis for Resource Allocation on page 33
	Impacts	We engage stakeholders on a periodic basis to identify their expectations. The methodology used in stakeholder identification, engagement, prioritising stakeholder issues and expectations and the manner in which we respond to those issues/expectations are included in the report.	Stakeholder Engagement Report from page 34 to 38
		Material economic, social and environmental impacts that were created through value creation activities are discussed in the Report. An account of such impacts and the manner in which they are managed are presented in the Impact Report.	Impact Report from page 94 to 111
		The success or failure of our efforts in managing material stakeholder concerns and material impacts that our value creation activities create, is measured against a set of performance objectives that has been developed by the Group's Sustainability Committee. The statuses of those objectives are also included in the Report.	Sustainability Performance Objectives on page 39.
	Enterprise governance	Significant risks associated with different elements of the value creation model provide the basis for report content. Accordingly, risk identification, assessment and their management are discussed in the report.	Enterprise Risk Management Report from page 56 to 61
	Enterprise governance	The manner in which the Group has complied with and adhered to conformance requirements, and the structure in place to ensure its effectiveness provide the basis for reporting. This content includes both, mandatory conformance and voluntary adherence.	Enterprise Governance Report from page 41 to 48
		Financial statements that provide transparency and accountability are presented in accordance with statutory and regulatory requirements.	Financial Statements and Other Disclosures from page 122 to 165



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Group Structure



Board of Directors

Company Name	Name of the Directors
Diesel & Motor Engineering PLC	A.R. Pandithage (Chairman/Managing Director), A.G. Pandithage (Group CEO), A.N. Algama, S.C. Algama, M.V. Bandara, Dr. H. Cabral, B.C.S.A.P. Gooneratne, P.K.W. Mahendra, A.M. Pandithage, S.R.W.M. C.Ranawana, R. Seevaratnam, A.D.B. Talwatte, R.C. Weerawardane
DIMO (Private) Limited	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, R.C. Weerawardane
DIMO Travels (Private) Limited	A.R. Pandithage (Chairman), S.C. Algama, M.V. Bandara, E.D.C. Kodituwakku
DIMO Industries (Private) Limited	A.R. Pandithage (Chairman), A.G. Pandithage, S.C. Algama, B.C.S.A.P. Gooneratne, R.C. Weerawardane

DIMO History

Four young men, Messrs Stephen Peries, Pandithage Don Alexander, Cyril Algama and Harold Algama established a workshop at a rented premises off Prince of Wales Avenue, Panchikawatte along with a few mechanics. This was the beginning of DIMO.

1939

In order to expand business activities, the Company was relocated to Jethawana Road, from where it operates to this day.

1949

DIMO was converted into a Public Quoted Company by obtaining a listing at the Colombo Brokers' Association.

1964

DIMO crosses Rs.100 million mark in Annual Group Turnover.

1978/79

In 1945, DIMO was incorporated as a Private Limited Liability Company.

1945

A new showroom, stores and workshop was opened for business at Jethawana Road, Colombo 14.

1952

DIMO commenced manufacturing of radiators, radiator cores, silencer barrels and light engineering products for motor vehicles.

1966

DIMO celebrates its 50th anniversary, having commenced operations in September 1939 as a partnership.

1989

The year under review has not been an easy one and we anticipate more challenges to come. Yet we remain confident that we can hold our lines and battle forward, to keep delivering sustainable growth in the years that lie ahead.

The dawn of the 90s witnessed the launch of the DIMO Automobile Training School (DATS) established in collaboration with Daimler AG, Germany offering a two-year comprehensive automobile engineering course designed by Daimler AG, Germany.
1991

The Company relocated its after sales and service activities of commercial vehicles, construction machinery and power systems to an eight acre property at Siyambalape, Biyagama.
1996

DIMO crosses the Rs.10 billion mark in Annual Group Turnover
2005/06

- Passes the 1,000 employees mark.
- The state of the art Bosch Service Centre which is a LEED certified green building was commissioned. This hi-tech workshop can accommodate up to 20 vehicles of all makes.
- DIMO also opened its second automobile training school in Jaffna.
2011

DIMO crosses Rs.1.0 billion mark in Annual Group Turnover
1994/95

The first fully fledged DIMO branch was opened in Matara
2005

DIMO acquires a large warehouse complex at Weliveriya, which becomes the DIMO logistic centre. This sixteen acre property has 177,075 square feet of storage space.
2007

DIMO celebrates its 75th Anniversary and adds another outstanding jewel to its crown of achievements when the state of the art Mercedes-Benz Sales & Aftercare Centre located at Sirimavo Bandaranaike Mawatha, Colombo 14 is formally opened. This is the Company's second LEED certified green building. The showroom and service centre is designed to showcase the Mercedes-Benz Experience: a contemporary and sophisticated multi-purposed space reflecting the timeless elegance and classic style of the Mercedes-Benz brand. This facility has a constructed area of 216,788 square feet.
2014



A CLEAR LINE OF SIGHT
Board of Directors



Standing from left to right : S.C. Algama, B.C.S.A.P. Gooneratne, A.D.B. Talwatte, S.R.W.M.C. Ranawana, Dr. H. Cabral,
P.K.W. Mahendra, M.V. Bandara, R.C. Weerawardane

Seated from left to right : R. Seevaratnam, A.N. Algama, A.R. Pandithage, A.G. Pandithage, A.M. Pandithage



A CLEAR LINE OF SIGHT

Board of Directors

A.R. PANDITHAGE

Chairman/Managing Director

Appointed:	
To Company	June 1973
To Board	June 1977
% of Shares Held*	11.17%

Appointments at DIMO

Appointed as Joint Managing Director in November 1984 and as Managing Director in 1986. Appointed as the Chief Executive Officer in 1994. Appointed as the Chairman, Managing Director and CEO in July 2004 and continues as the Chairman & Managing Director from April 2012 to date.

DIMO Committee Memberships

NC

Qualifications and Expertise

Holder of Dip. Ing. from Germany. Member of the Institute of Engineers, Germany (VDI).

Positions Held in Other Companies

Director of Dial Textiles Ltd., Vice President of Sri Lanka - Germany Business Council of the Ceylon Chamber of Commerce.

A.G. PANDITHAGE

Group Chief Executive Officer

Appointed:	
To Company	September 1986
To Board	December 1995
% of Shares Held*	5.92%

Appointments at DIMO

Appointed as the Deputy Chief Executive Officer with effect from April 2006 and as Group Chief Executive Officer from April 2012.

Qualifications and Expertise

Fellow member of the Chartered Institute of Management Accountants, UK.

A.N. ALGAMA

Executive Director

Appointed:	
To Company	June 1973
To Board	November 1984
% of Shares Held*	2.41%

Qualifications and Expertise

Counts over forty four years of experience at DIMO

Positions Held in Other Companies

Past Chairman of The Ceylon Motor Traders' Association and Sri Lanka Tyre Importers' Association. Executive Committee member of the Ceylon Motor Traders' Association.

S.C. ALGAMA

Executive Director

Appointed:	
To Company	November 1984
To Board	November 1984
% of Shares Held*	2.41%

Appointments at DIMO

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

Qualifications and Expertise

Fellow of the Institute of Incorporated Engineers (SL). Council Member and Chairman-Transport & Automobiles Industries Committee of the National Chamber of Commerce, Sri Lanka. Counts over twenty three years of experience in Industrial Solutions division.

B.C.S.A.P. GOONERATNE

Director/Chief Financial Officer

Appointed:	
To Company	January 2001
To Board	April 2006
% of Shares Held*	None

Qualifications and Expertise

Fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and holder of Master of Business Administration degree from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

Positions Held in Other Companies

Non-Executive Director of Hunas Falls Hotels PLC.

R.C. WEERAWARDANE

Executive Director

Appointed:	
To Company	February 1990
To Board	June 2002
% of Shares Held*	None

Qualifications and Expertise

Certificate holder of the Chartered Institute of Marketing, UK. Counts over twenty seven years of experience at DIMO in the Vehicles division, Marketing and Distribution division and Construction and Material Handling division.

M.V. Bandara

Executive Director

Appointed:	
To Company	February 1995
To Board	June 2016
% of Shares Held*	0.02%

Qualifications and Expertise

Postgraduate certificate holder from the University of Southern Queensland Australia. Possesses a Diploma in Business Management from the University of Colombo. Counts over twenty two years of experience in Sales and Marketing.

A.D.B. Talwatte

Independent Non-Executive Director

Appointed:	
To Board	June 2016
% of Shares Held*	None

DIMO Committee Memberships

NC . RC . AC . RPTRC

Qualifications and Expertise

Fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants (CIMA) U.K. Possesses Post-Graduate Diploma in Business and Financial Administration awarded by ICASL and the University of Wageningen, Holland and holder of MBA from the University of Sri Jayewardenepura, Sri Lanka. Participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois. Mr.Talwatte worked at Ernst & Young in Assurance, Business Risk and Advisory Services for thirty seven years of which ten years was as Country Managing Partner.

* Does not include shareholdings of spouse

AC - Audit Committee . RC - Remuneration Committee . RPTRC - Related Party Transactions Review Committee . NC - Nomination Committee

Worked with Ernst & Young in Cleveland, Ohio and served on Ernst & Young's Far-East Area Executive Committee, the Area Advisory Council and served on the ASEAN Leadership Committee. Past President of the Institute of Chartered Accountants of Sri Lanka (ICASL) for a two year period in 2002/03 and the Chartered Institute of Management Accountants (CIMA) in 1995/96. Served as the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of ICASL and closely associated with the development of Corporate Governance in Sri Lanka. Actively involved with the Code of Corporate Governance of 2003 and the Code of Audit Committees in 2002, Co-chaired the Committee which revised the Code of Corporate Governance of 2008 and the Listing Rules, Co-chaired a Committee on Corporate Governance set up by ICASL jointly with the SEC to review and revise the Code of Corporate Governance in 2012, Chairs the Committee to review the applicability of Integrated Reporting in Sri Lanka and the Committee reviewing the Corporate Governance Code.

Positions Held in Other Companies

Chairman of Management Systems (Pvt) Limited (MSL). Serves as a Non-Executive Director on boards of listed companies, public companies and state owned enterprises.

A.M. PANDITHAGE

Non-Executive Director

Appointed:	
To Board	September 1982
% of Shares Held*	2.05%

DIMO Committee Memberships

NC . RC . AC . RPTRC

Qualifications and Expertise

Fellow of the Chartered Institute of Logistics and Transport (UK).

Positions Held in Other Companies

Chairman and Chief Executive of Hayleys PLC. Honorary Consul of United Mexican States (Mexico) to Sri Lanka. Committee Member of the Ceylon Chamber of Commerce. Council Member of the Employers' Federation of Ceylon. Member of the Maritime Advisory Council of the Ministry of Ports & Shipping. Member of the Advisory Council of the Ceylon Association of Ships' Agents. Member of the National Steering Committee on

Skills Sector Development of the Department of National Planning.

DR. H. CABRAL

Independent Non-Executive Director

Appointed:	
To Board	October 2006
% of Shares Held*	None

DIMO Committee Memberships

NC . RC . AC . RPTRC

Qualifications and Expertise

President's Counsel, PhD in Corporate Law (Australia), Commissioner - Law Commission of Sri Lanka, Member - Advisory Commission on Company Law, Council Member - University of Colombo, UGC nominee - PGIM (Post Graduate Institute of Medicine), Council Member - the Council of Legal Education, Member - Academic Board of Studies - The Institute of Chartered Accountants of Sri Lanka, Member - Corporate Governance Committee, Senior Lecturer and Examiner-University of Colombo, Senior Lecturer - IALS Sri Lanka Law College, ICLP. Senior Practitioner in the fields of Corporate Law, Intellectual Property Law, International Trade Law, Commercial Law and Commercial Arbitration.

Positions Held in Other Companies

Chairman - Tokyo Cement Company (Lanka) PLC, Tokyo Super Cement Company Lanka (Pvt) Ltd, Tokyo Cement Power (Lanka) Ltd, Tokyo Eastern Cement Company Ltd, Tokyo Super Aggregate Ltd, Director - Hayleys PLC, Alumex PLC, Lanka Orix Finance PLC, Browns Investments PLC, Lanka Orix Life Assurance PLC.

R. SEEVARATNAM

Independent Non-Executive Director

Appointed:	
To Board	January 2007
% of Shares Held*	None

DIMO Committee Memberships

NC . RC . AC . RPTRC

Qualifications and Expertise

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

Positions Held in Other Companies

Independent Non-Executive Director of Acme Printing & Packaging PLC, Acme Packaging Solutions (Pvt) Ltd, Tea Smallholder Factories PLC, Tokyo Cement Company (Lanka) PLC, Lanka Aluminium Industries PLC, Metecno Lanka (Pvt) Ltd, Green Farms (Pvt) Ltd, Colombo Fort Land & Building Co PLC, Omega Line Ltd, Sirio Ltd, Benji Ltd, Alpha Apparels Ltd, Hayleys Agricultural Holdings (Pvt) Ltd, Hayleys Consumers (Pvt) Ltd, Nestle Lanka PLC, Distilleries Company of Sri Lanka PLC, Lankem Ceylon PLC, Colombo Fort Land Investments PLC E.B. Creasy & Company PLC, Hayleys Advantis Ltd.

P.K.W.Mahendra

Executive Director

Appointed:	
To Company	July 2006
To Board	June 2016
% of Shares Held*	None

Qualifications and Expertise

Mechanical Engineer and holder of a Bachelor's Degree from the University of Greenwich, UK. Counts over twenty two years of experience in Engineering & General Management including eleven years at DIMO.

S.R.W.M.C. Ranawana

Executive Director

Appointed:	
To Company	November 2002
To Board	June 2016
% of Shares Held*	None

Qualifications and Expertise

Holder of MBA from Wanaborough University - UK & a Diploma in Business Management from SLBDC. Possesses over thirty two years of experience in Industrial Sales & Marketing specialising in storage, material handling equipment and construction machinery businesses including fifteen years of work experience at DIMO.

* Does not include shareholdings of spouse

AC - Audit Committee . RC - Remuneration Committee . RPTRC - Related Party Transactions Review Committee . NC - Nomination Committee

A CLEAR LINE OF SIGHT

Group Management Committee

Standing from left to right :

M.V Bandara
Executive Director

R.K.J. Gunasekera
General Manager - Business Development &
Innovation

N. Mudannayake
General Manager - Information Technology

R.C Weerawardane
Executive Director

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

A.R Pandithage
Chairman & Managing Director



A.G Pandithage

Director/Group Chief Executive Officer

S.C Algama

Executive Director

D. N. K. Kurukulasuriya

Chief Human Resources Officer

E.D.C Kodituwakku

General Manager - Finance & Controlling

P.K.W Mahendra

Executive Director

S.R.W.M.C Ranawana

Executive Director

C. R. Pandithage

General Manager - Mercedes - Benz Vehicle
Sales



A CLEAR LINE OF SIGHT

Value Creation Model

The delivery of stakeholder value has always been DIMO's primary purpose and we have focused on honing our value creation process and delivery for many years. To this end, our value creation activities employ inputs or contributions from our four capitals - Monetised Capital (which includes financial capital, manufactured capital and land), Relationship Capital which includes Customers and Business Partners, Human and Intellectual Capital. We take pride in managing our capitals and processes in an efficient and productive fashion, for we know that this is vital to the successful and consistent delivery of increasing value.

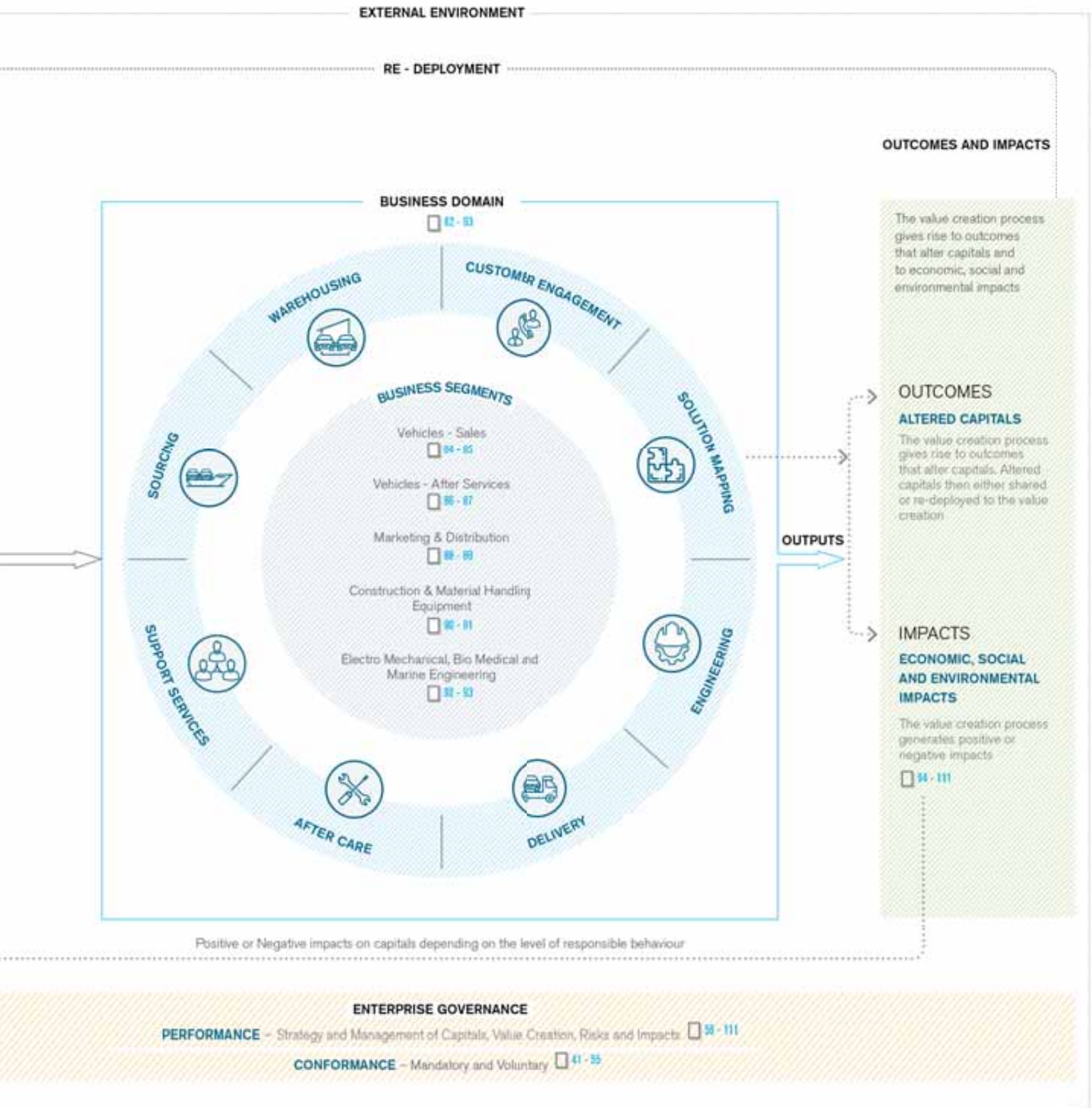
Three specific activities remain core to DIMO's value-creating enterprise; securing, nurturing and preserving the capitals we own, even as we manage the economic, social and environmental impacts of our value creation activities, the latter activity demanding precision and efficiency to maximise the value created.

Responsible corporate citizenship is the final important element in our value chain; one that we have emphasised since inception. It reflects the standards of integrity and governance we exemplify and the trust of our stakeholders depends upon it.

Our value creation cycle is ultimately a perfect one. Our capitals or value stores deliver inputs for our value creation activities, which lead to the outputs, impacts and outcomes which affect our capitals, all of which is governed by conformance.

This is how we make sure that every single transaction we undertake, adds value. This is also how we maximise our capacity to leverage our strengths, our industry expertise and our pool of resources to deliver mutual benefit to DIMO and the thousands of stakeholders who place their trust in us.





A CLEAR LINE OF SIGHT

Strategy

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

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

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

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

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

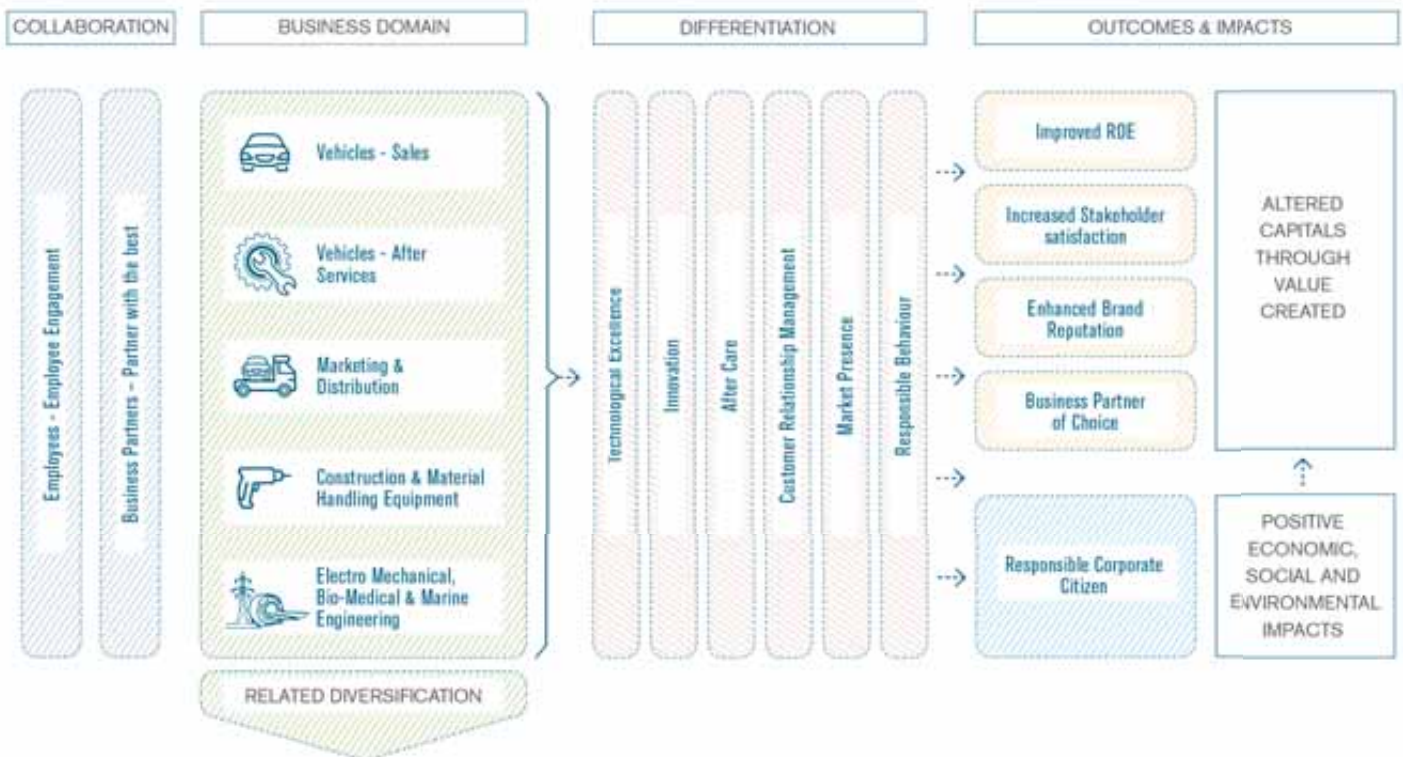
Our customers place much value on Vehicles -After Services and over the years, we have experienced the vast opportunities that come with reliable and responsible aftercare.

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

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

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

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



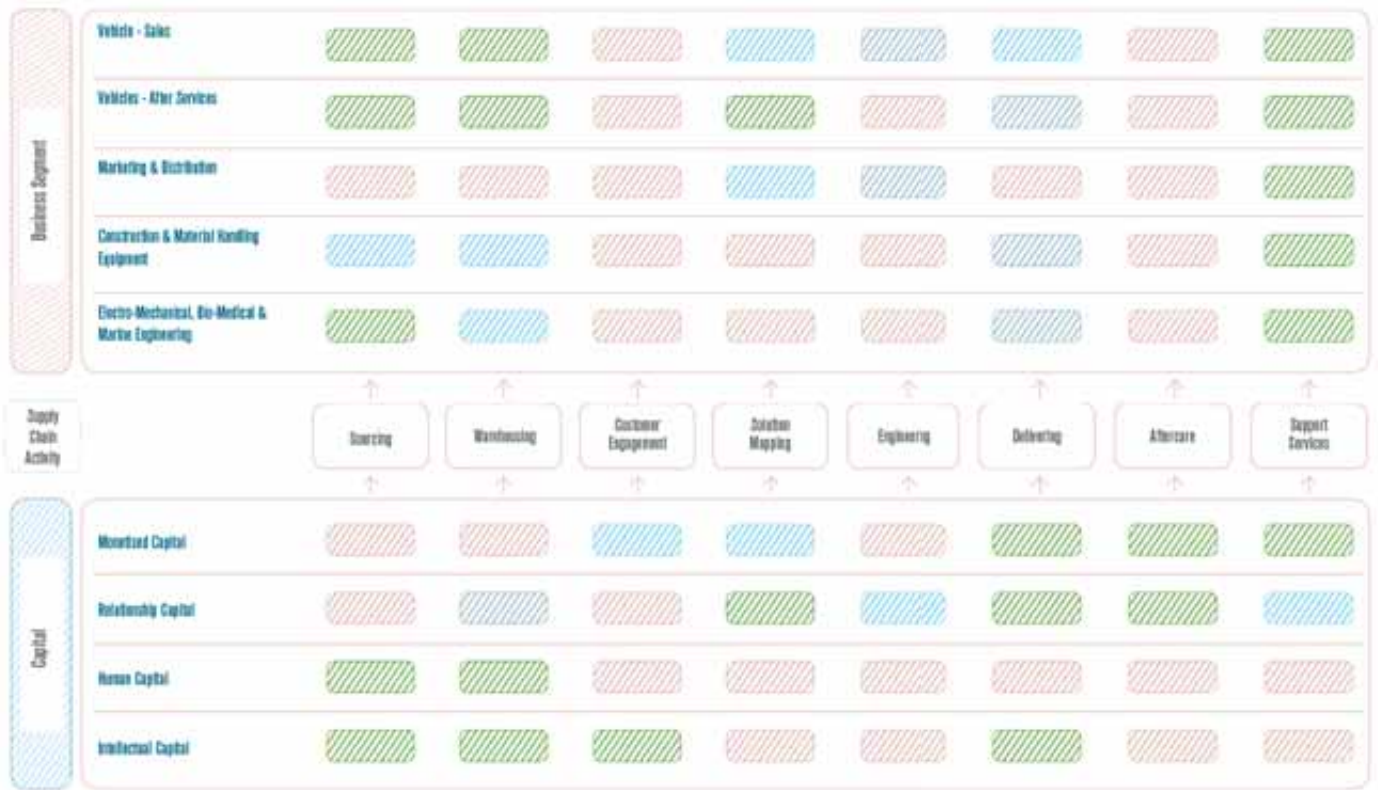
Basis for Resource Allocation

The following illustration depicts the criticality of each value creation activity to each business segment and the criticality of each capital for each value creation activity, thus establishing connectivity between each business segment and each capital.

Businesses are clustered together based on their similarities and guidance provided by the Sri Lanka Accounting Standards, and are called business segments. The value creation activities required by the supply chains are found to be similar by the businesses within one segment while it can differ for two different businesses in two business segments. On the other hand capital inputs required by one value creation activity may be different from the capital input requirement of another. Therefore, a connection can be identified between the Business Segment and

the criticality of different capitals to that business segment through value creation activities. The following illustration depicts the criticality of each value creation activity to each business segment and the criticality of each capital for each value creation activity, thus establishing connectivity between each business segment and each capital. Establishing this connection helps us to allocate resources or in other word inputs from capitals, based on the requirement of each value creation activity and consequently for each business segment.

Supply Chain Activities' Connectivity with Business Segments and Capitals



Legend

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

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

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 providing solutions to the customers
Aftercare	Addressing customers' post-delivery requirements
Support Services	Provision of support services for supply chain activities

A CLEAR LINE OF SIGHT

Stakeholder Engagement and Material Issues

Overview

Our stakeholder engagement process is key to many facets of our business. Feedback from stakeholders helps us to develop effective strategies for value creation. Their expectations and needs, which emerge from the engagement process, help us refine our products and services to ensure that we deliver their expectations.

The stewardship role played by the Directors demands that they act responsibly towards stakeholders so that DIMO becomes a responsible corporate citizen. The stakeholder engagement process identifies material stakeholder issues that must be addressed in our journey towards being a better corporate citizen.

The illustration beside explains how the outcome of the stakeholder engagement process enhances our strategies and value creation approach.

Stakeholder Engagement in Practice

Our stakeholder engagement process involves three important steps as depicted in the illustration.

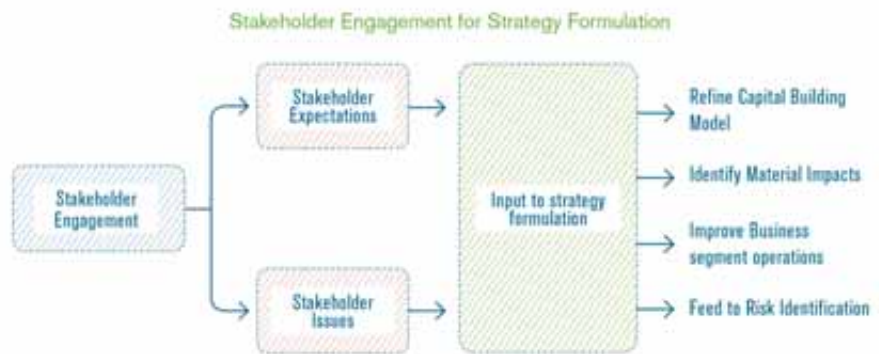
DIMO's Sustainability Committee together with the senior management closely monitors the stakeholder engagement process to ensure that it is conducted independently.

The process is further supplemented by our ISO accredited Quality Management System (QMS) and Environmental Management System (EMS), and our Customer Relationship Management System.

Stakeholder Identification

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

The stewardship role played by the Directors demands that they act responsibly towards stakeholders so that DIMO becomes a responsible corporate citizen. The stakeholder engagement process identifies material stakeholder issues that must be addressed in our journey towards being a better corporate citizen.

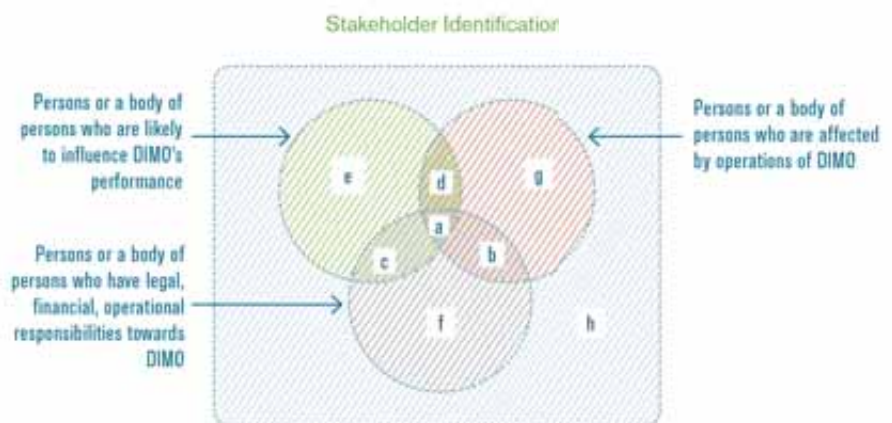


Those identified stakeholders are categorised into three groups based on their ability to impact our value creation or to be affected by our value creation.

Three sets of stakeholders are then analysed against each group using the following criteria to identify stakeholders that are material to our business:

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

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



Stakeholder Engagement

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

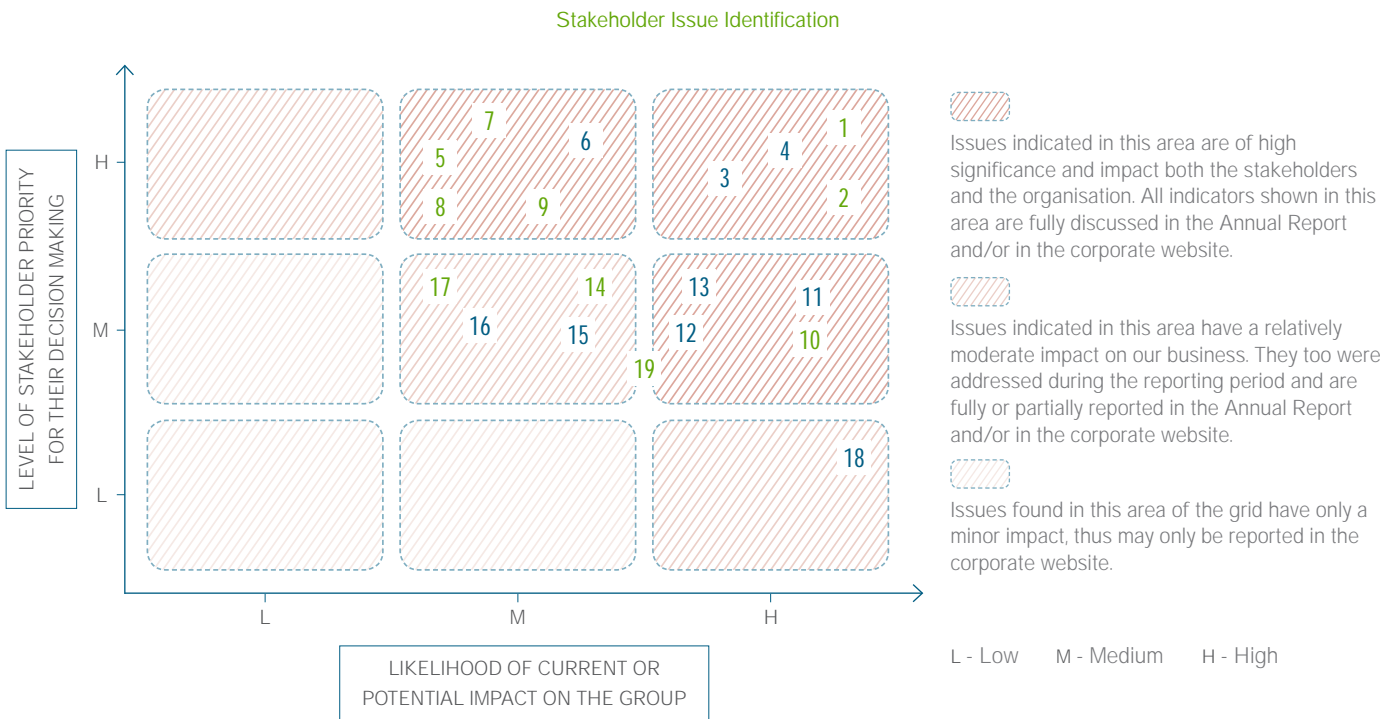
Stakeholder	Engagement Method	Frequency
Shareholders Providers of financial capital and owners of the Company. Thus their expectations are at the heart of what we do	One-to-one interviews (by independent parties)	Once in 3 years
	The Annual General Meeting provides an opportunity to review the past year's performance and engage in discussions with the management	Once a year
	Annual Report	Once a year
	Quarterly Financial Statements providing the quarterly performance	Every quarter
	Company website	Online
	CSE website	Online
Customers Customers are our principal source of revenue and form part of our non-monetised capital. Their satisfaction is vital to our sustainability	One-to-one interviews	Once in 3 years
	Customer Relationship Management process (CRM) enables the Company to keep in touch with customers on a daily basis. It helps to respond to customer queries and problems speedily	Continuous
	The Customer Satisfaction Index maintained by each business unit provides an assessment of satisfaction levels and helps to improve the Company's problem solving capacities	Once a month/quarter
	Loyalty customer clubs (TATA Emperor, Mercedes-Benz Club & Jeep club) create opportunities to communicate with loyal customers	Continuous
Business Partners & Suppliers Business partners are a critical link in our supply chain and a part of our relationship capital	One-to-one interview (by independent parties)	Once in every 3 years
	A high speed 24 x 7 online link enables constant dialogue with principals. Issues such as product quality, marketing, customer satisfaction, 'problem solving' and employee motivation are discussed on this platform	Continuous
	On-site visits from principals and on-site visits to principals' locations facilitate engagement	Continuous
Employees The key resource for competitive advantage and sustainable growth	One-to-one interviews (by independent parties)	Once in 3 years
	Focus group discussions (by independent parties)	Once in 3 years
	Employee Council Meetings	Once a month
	Employee Portal of the Company network (accessible to every employee)	Continuous
	Annual strategic planning meeting	Once a year
	Company's 'Open Door' policy encourages direct employee – management dialogue	Continuous
	Annual Employee Surveys - voluntary and confidential	Once a year
	Individual Performance Reviews – bi-annually	Bi annual
	HR Clinics	Continuous
Employee reward and recognition	Continuous	
Society Society includes our local immediate communities, stakeholders in sustainable development and regulatory and Government agencies	One-to-one interviews (by independent parties)	Once in 3 years
	Focus groups discussion (by independent parties)	Once in 3 years
	Dialogue with Religious Dignitaries	Continuous
	Written and oral communications initiated by stakeholders	Continuous
	Company website	Online
	One-to-one interview	Once in 3 years

A CLEAR LINE OF SIGHT

Stakeholder Engagement and Material Issues

Feedback Analysis

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



- | | | |
|---|---|---|
| <ul style="list-style-type: none"> 1. Economic performance 2. Customer health and safety 3. Occupational health and safety 4. Compliance 5. Emissions, effluents and waste 6. Employee remuneration and benefits 7. Customer privacy | <ul style="list-style-type: none"> 8. Local community development 9. Technical education for youth 10. Procurement practices for local suppliers 11. Mutually beneficial relationship with suppliers 12. Energy consumption 13. Employee training and education | <ul style="list-style-type: none"> 14. Product and service labelling 15. Water consumption 16. Employee relations 17. Ethical marketing and communication 18. Materials consumption 19. Anti-corruption |
|---|---|---|

■ Topic boundaries outside the organisation
 ■ Topic boundaries within the organisation

Material Stakeholder Issues and Their Status

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

The effectiveness of those responses is closely monitored by the Sustainability Committee with respect to internal sustainability performance objectives to ensure that we address them adequately and on a timely basis.

Our responses and the input from stakeholder engagement may alter the status of those material issues identified in the last financial year. The following table explains the shift in the status of those material matters, where applicable, and our responses, and provides a link to detailed discussion conducted either in the annual report or in our corporate website, and gives the status of the sustainability performance objectives.

Status of Material Topics - 2017 vs 2016

	Material Aspect	Issues Raised by	Status	Possible Reason for the Shift in Status	Our Response
1	Emissions, Effluents and Waste	Society	□	Not applicable	Our Environment Management System which was upgraded to ISO 14001:2015 during the year, is constantly working towards minimising emission levels and effluents. Continuous improvement in these areas are conducted and those are measured against the sustainability performance objective numbers 15 and 16. For more information refer pages 94 to 111 in the Environmental Impact Report.
2	Technical Education for Youth	Society	○	We have increased the monetised capital investment in technical education for youth by 77% compared to last year	We have increased our investments in technical education and expanded the number of opportunities provided to apprentices. For more information refer page 107 of the Social Impact Report.
3	Customer Health and Safety	Customer	○	During the year Group's Quality Management System was upgraded to ISO 9001:2015 covering the operations of all five business segments	Our ISO accredited Quality Management System ensures our products are of high quality. We will continue to strictly comply with health and safety aspects relating to our product portfolio. For more information refer page 70 of the Customer Capital Report.
4	Employee Training and Education	Employee	○	Average training hours per employee increased to 18 hours	Continuous training and development programmes conducted for employees improved this aspect. The achievement of Sustainability Performance Objective number 07 bears testimony for this improvement. For more information refer page 77 of the Human Capital Report.
5	Occupational Health and Safety	Employee	□	Not applicable	Employee health and safety receives due importance and comes under the purview of the Head of Operational Compliance. Employee health and safety is covered in the Group's Occupational Health & Safety Policy. For more information refer page 78 of the Human Capital Report.
6	Procurement Practices for Local Suppliers	Local suppliers/ Subcontract workers	□	Not applicable	Local suppliers should abide by the Group's Supplier Code. The success in this endeavour is measured using the sustainability performance objective number 10. For more information refer page 74 of the Business Partner Relationship Capital Report.

A CLEAR LINE OF SIGHT

Stakeholder Engagement and Material Issues

	Material Aspect	Issues Raised by	Status	Possible Reason for the Shift in Status	Our Response
7	Water	Society	□	Not applicable	Procedures are in place to increase the level of water recycled/reused. Stringent waste water management systems are in place and the success of these systems is measured by Sustainability Performance Objective number 14. For more information refer page 102 of the Environmental Impact Report.
8	Ethical Marketing Communications	Customer	□	Not applicable	Corporate communications policy ensures strict compliance with regulations and codes concerning ethical marketing communication practices. For more information refer page 70 of the Customer Capital Report.
9	Mutually Beneficial Relationships with Business Partners	Suppliers	○	Due care is taken to strengthen the constituents of the business partner capital building model	Constant interactions and sharing of information continues. Reports to Business Partners will address expectations of Business Partners. The progress of the approach is measured by sustainability objective number 09. For more information refer page 73 of the Business Partner Relationship Capital Report.
10	Energy Consumption	Society	□	Not applicable	Energy saving measures are implemented across the organisation. Two major buildings are LEED certified green buildings (Gold Category). For more information refer page 101 of the Environmental Impact Report.
11	Employee Benefits	Employee	○	The Company follows a policy of market competitive remuneration	Annual wage survey revealed that DIMO wages levels are at competitive levels compared to others in the industry.

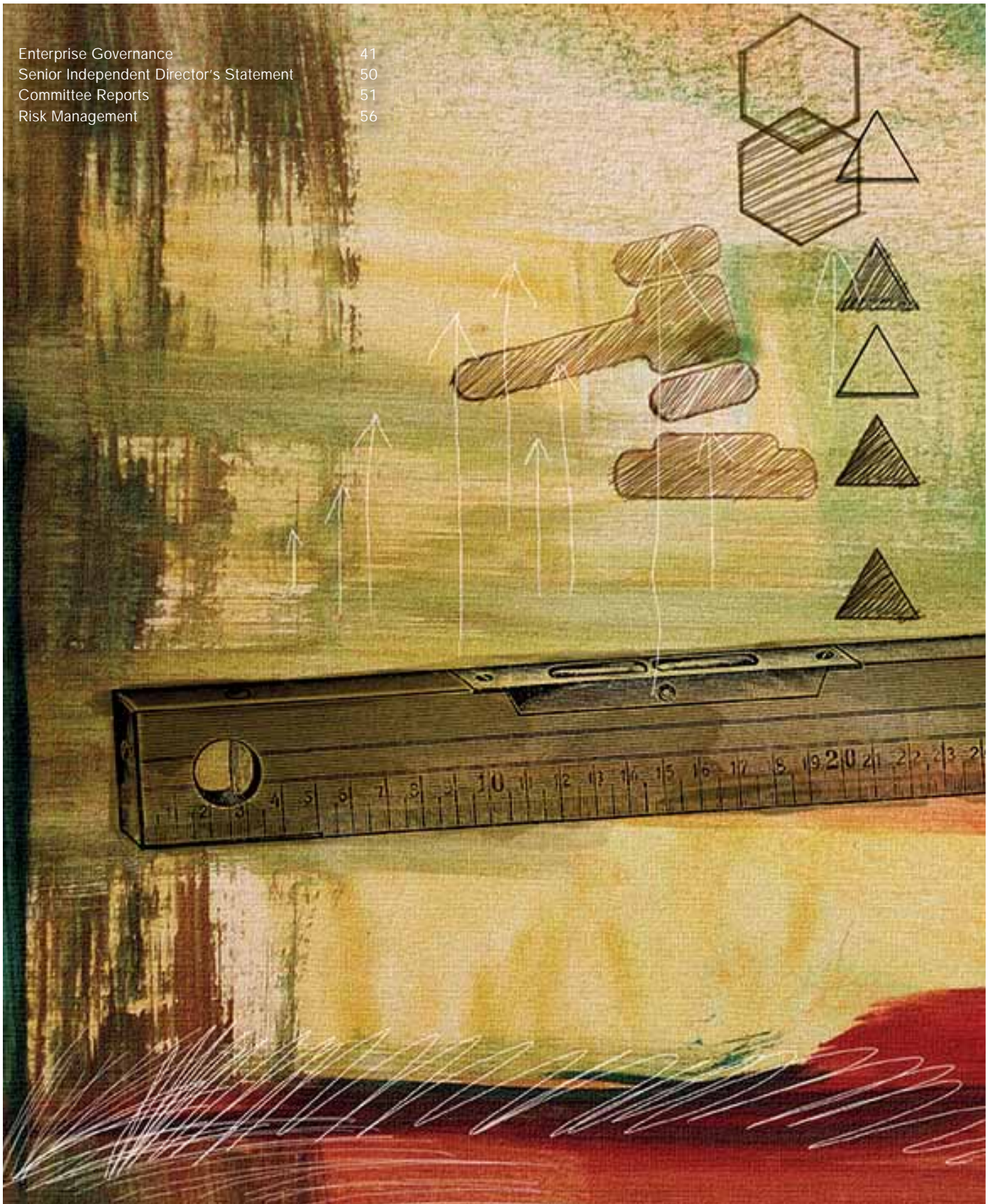
- ◆ Materiality of issues increased
- Materiality of issues decreased
- Materiality of issues remains same
- ★ New issue identified

Sustainability Performance Objectives 2016/17

Aspect	Term	Objective	Achievement			Remarks
			2016/17	2015/16	2014/15	
Monetised Capital	Long/Short	1 ROE to be more than Annual AWDR+ 3%	Not Achieved	Achieved	Not Achieved	The AWDR+ 3% as at year end was 10.66%. The ROE for the period was 6.46%
Customer	Long	2 To ensure continuity of a customer-centric Quality Management System with suitable accreditation	Achieved	Achieved	Achieved	DIMO's Quality Management System was accredited by the latest version (ISO 9001:2015)
	Short	3 Number of training hours for sales personnel to increase by 10% from previous year	Achieved	Not Achieved	Achieved	Training hours per sales personnel increased by 13% in 2016/17. Last year training hours per sales personnel decreased by 14%
	Short	4 To achieve a Weighted Average Customer Satisfaction Index Score of more than 85%	Achieved	Achieved	Achieved	The Weighted Average Customer satisfaction index score was 90% in 2016/17 (88% in 2015/16)
	Short	5 Each branch to have a customer interaction event each quarter	Achieved	Achieved	Achieved	Each branch achieved the required number of customer interaction events
Employee	Short	6 To achieve an employee satisfaction index score of more than 60%	Achieved	Achieved	Achieved	For the year 2016/17, employee satisfaction index score was 64.56% (62.03% in 2015/16)
	Short	7 Average training hours per employee per year to be more than 10 hours	Achieved	Achieved	Achieved	Average training hours per employee was 21.34 hours in 2016/17 (16.99 in 2015/16)
	Long	8 To maintain a ratio of female to male employees (excluding workshops and field sales) of more than 15%	Achieved	Achieved	Achieved	The ratio is 20.25% in 2016/17 which was 20% in the previous year
Business Partners	Short	9 To carry out a performance evaluation of ten foreign business partners at least once a year	Achieved	Achieved	Partially Achieved	Performance evaluation of ten business partners was carried out during the year
	Short	10 To obtain declarations from at least 50% of the current major local suppliers, that they will abide by the DIMO supplier code	Achieved	Achieved	Achieved	More than 50% declarations were received from the major local suppliers
Society	Short	11 Invest at least 0.05% of turnover on community development activities	Achieved	Achieved	Achieved	During the year DIMO invested 0.24% of turnover on community development activities. This was 0.18% in 2015/16
	Long/Short	12 The number of non-employees who are afforded training to be more than 5% of the number of employees	Achieved	Achieved	Achieved	The number of trainees enrolled as a percentage to the total number of employees was 27.65% in 2016/17 (25.56% in 2015/16)
	Short	13 100% compliance with Laws and Government regulations	Achieved	Achieved	Achieved	The Company's Code of Business Ethics require compliance with laws and regulations at all times. There were no non-compliances reported during the year
Environment	Long	14 To re-cycle and re-use at least 8% of the water used	Achieved	Not Achieved	Achieved	9.3% of water used was recycled and reused during the year
	Short	15 Waste segregated and handed over to selected third parties for recycling/ reuse to be more than 90% of total solid waste	Achieved	Achieved	Achieved	The Company maintains waste collection agreements with 3rd party waste management companies who are approved by Central Environment Authority. Waste managed by the above third parties exceeded the required percentage during the year
	Short	16 Carbon Foot Print for every Rs.1.0 million of turnover to reduce by 5%	Achieved	Achieved	Achieved	Carbon footprint for every Rs.1 million of turnover in 2016/17 was 0.1713 tCO ₂ e. The corresponding figure for 2015/16 was 0.1917 tCO ₂ e
Economic	Long/Short	17 Monetised Value Added to increase every year at a rate more than the rate of inflation +5%	Achieved	Achieved	Not Achieved	The Monetised Value added increased by 17.8% in 2016/17 (50.5% in 2015/16). This is well above the rate of inflation +5% which is 10.6%

Enterprise Governance

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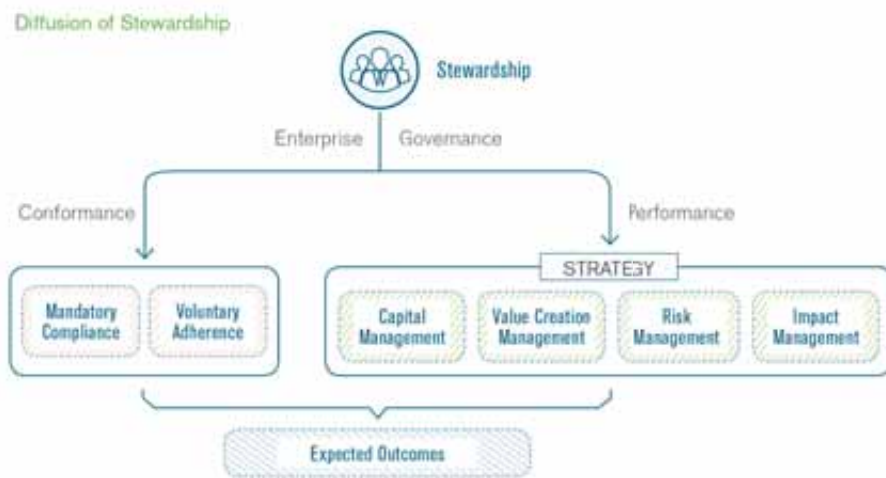


Enterprise Governance

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

Stewardship to Value Creation

The role of stewardship that is bestowed upon the Board of Directors demands that the Board has in place the necessary mechanisms and processes required to deliver the value, outcomes and impacts expected by the stakeholders. The "Diffusion of Stewardship" shown below depicts the path mapped by the Board that will lead DIMO to the desired value creation, outcomes and impacts.



Performance

Strategy

The Board provides entrepreneurial leadership by ensuring the formulation and implementation of requisite strategies for the effective management of capitals, value creation activities, risks and impacts to achieve the desired outcomes and impacts.

Capital Management

The capitals provide the key ingredients for value creation. Therefore, they need to be carefully managed. The material capitals involved in the value creation process are monetised, relationship, human and intellectual capitals. An overview and the management approach towards each capital, performance and impacts of the Company's activities on material capitals is discussed in the "Capitals Report", presented from pages 62 to 81.

Value Creation Management

Value creation activities lead to creation of value, using capitals. These activities also give rise to economic, societal and environmental impacts. Therefore, the effective management of value creation activities is imperative to achieve the desired outcomes and managing impacts.

Sourcing, warehousing, customer engagement, solution mapping, engineering, delivery, aftercare and support services are the key value creation activities that create value and cause the impacts. The criticality of each value creation activity to each business segment and the criticality of each capital to each value creation activity is depicted in the illustration given on page 33. Mapping of this connectivity provides the basis for the effective utilisation of capitals and value creation management.

Risk Management

The risk associated with the value creation activities of DIMO in the short, medium and the long term have to be prudently managed. Risks associated with capitals, business segments and impacts are monitored and managed. The table appearing on pages 58 to 61 presents such risks, our mitigation actions and the change in the risk profile over the past five years.

Impact Management

Value creation activities lead to economic, societal and environmental impacts. The management of such impacts is imperative as the manner and the extent to which such impacts are managed will determine the level of corporate responsibility

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demonstrated by DIMO. While these impacts affect our stakeholders, it they will also have a bearing on the reputation of DIMO. Therefore, there is an element of risk management embedded in impact management. An overview of the management approach, initiatives and outcomes relating to impact management is given in the Impact Management Report from pages 94 to 111.

Conformance

The Role of Conformance

The conformance dimension of enterprise governance advocates compliant, responsible and transparent corporate behaviour.

DIMO regards effective conformance as a platform to create value in a responsible manner, not as a set of rules that stifle growth. Conformance is the bed rock upon which the performance dimension of enterprise governance is built. It provides the foundation for a robust organisational structure, a compliant work ethic and for decision making based on responsible corporate behaviour, which are pre- requisites for performance. Conformance requires a high level of commitment across the organisation.

Commitment to Conformance

The Board has given leadership to a culture of conformance that provides the grounding for responsible value creation. An enabling

STAYING IN LINE

Enterprise Governance

conformance culture is created by generating awareness at all levels. All employees are required to respect conformance in achieving their own objectives and those of the Company.

A Framework to Translate Commitment into Practice

The Board of Directors bears overall responsibility for conformance, which is the basis for ensuring transparency and accountability to all stakeholders. Effective conformance also facilitates the achievement of strategic outcomes. The Board has created a conformance framework to execute its policies and monitor effectiveness to facilitate the fulfilment of these responsibilities and to facilitate achievement of desired outcomes. The conformance framework includes all aspects of compliance and adherence incorporating statutes, regulations, codes and management and control systems within a structure that includes the Board and Management Committees. The framework also has an assurance process that ensures independent assurance and internal audit.

Board of Directors

The Board bears overall responsibility for

enterprise governance and consequently, for conformance.

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

The Directors possess diverse skills and bring a wide range of expertise and competencies that facilitate the effective discharge of Board responsibilities. A brief profile of the members of the Board is given on pages 26 to 27. The Board also enjoys the services of four qualified accountants who provide financial acumen and knowledge relating to matters of finance.

The Board ensures compliance with mandatory laws and regulations, and promotes voluntary

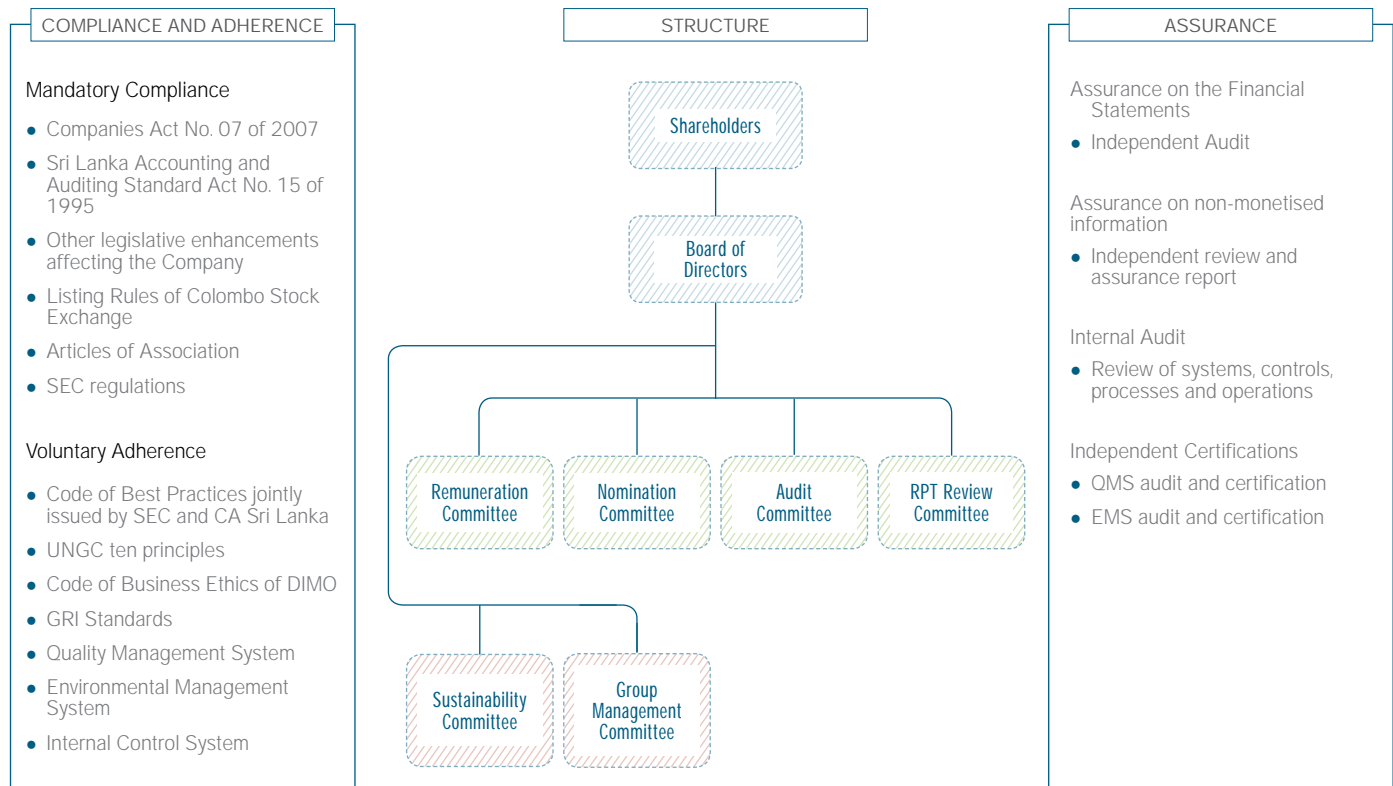
adherence to enhance transparency and accountability in value creation.

Board performance is appraised by the members of the Board, annually. The performance of the Chairman, who plays an executive role, is annually appraised by the Non-Executive Directors, annually.

Rule No. 7.10.3 of the listing rules of the Colombo Stock Exchange requires that an explanation be provided in the event that 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 as Independent Directors. The required explanation is given on pages 114 to 116 in the Annual Report of the Board of Directors.

The Board of Directors' statement on internal controls, as required by section D.1.3 of the Code of Best Practice on Corporate Governance jointly issued by The Institute of Chartered Accountants

Conformance Framework



DIMO takes a two pronged approach to conformance: mandatory compliance and voluntary adherence. This is the path taken by the Board ensure transparency and accountability and to provide a strong platform for performance.

of Sri Lanka and Securities Exchange Commission, appears on page 118. The composition of the Board and number of the Independent Directors meet the criteria relating to Board composition laid down by the Colombo Stock Exchange listing rules. The Annual Report of the Board of Directors is available from pages 114 to 116.

There were four new appointments to the Board of Directors during the year, details of which is given in the Annual Report of the Board of Directors on page 114.

Board Committees

Board Committees consist of the Audit Committee, Remuneration Committee, Nomination Committee and the Related Party Transaction Review Committee. All Board Committees, with the exception of the Nomination Committee, are mandated by the Listing Rules of the Colombo Stock Exchange and meet all the criteria prescribed by the said rules. All committees comprise of Non-Executive Directors except for the Nomination Committee, where the Chairman of the Board serves as a member. The first three committees mentioned above are also recommended by the Code of Best Practice on Corporate Governance jointly issued by The Instituted of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. Each committee has its own terms of reference.

New appointments to the Board Committees and changes in the Chair of the Audit Committee and Related Party Transactions Review Committee occurred during the year. Details of these changes are given in the Annual Report of the Board of Directors on page 115.

The composition of the respective Board Committees are detailed on page 51, 52, 53 and 54.

The reports of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transaction Review Committee are available on pages 51 to 55.

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.

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

The presence of the Senior Independent Director and the Independent Non-Executive Directors ensure that no single individual has unfettered powers of decision making, permitting independent judgement over good governance and conducting of business in the best interest of stakeholders. The presence of Board Committees chaired by the Independent Non-Executive Directors further strengthens good governance.

Management Committees

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

The presence of the Senior Independent Director and the Independent Non-Executive Directors ensure that no single individual has unfettered powers of decision making permitting independent judgment over good governance and conducting of business in the best interest of stakeholders. The presence of Board Committees chaired by the Independent Non-Executive Directors further strengthens good governance.

of the management team including Executive Directors, holds the primary responsibility to oversee the Group's activities with regard to the identification and management of economic, social and environmental impacts and the achievement of sustainability objectives.

The composition of the Group Management Committee is available on pages 28 and 29.

Statements of Responsibility

The Statement of Directors' Responsibility for Financial Statements as required by the Companies Act No. 07 of 2007 and the Responsibility Statement of the Chairman, Chief Executive Officer and Chief Financial Officer required by Circular number 09 of 2008 issued by Securities and Exchange Commission, are available on pages 119 and 55.

Compliance and Adherence

DIMO takes a two pronged approach to conformance: mandatory compliance and voluntary adherence. This is the path taken by the Board to ensure transparency and accountability and to provide a strong platform for performance.

The Compliance and Adherence section on the left side of the conformance framework identifies 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 into the "mandatory compliance" category and the codes, best practices, management systems and control systems are classified into the "voluntary adherence" category.

Mandatory Compliance

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

regulations issued by the Securities and Exchange Commission and the Listing Rules of the Colombo Stock Exchange.

Voluntary Adherence

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

Voluntary adherence to the Code of Best Practices jointly issued by the Securities and Exchange Commission of Sri Lanka and The Instituted of Chartered Accountants of Sri Lanka (the Code) enriches the practice of conformance within the Company. The manner in which the Company has adhered to the Code is available at <http://www.dimolanka.com/stewardship/>. Among others, matters relating to the Board, the Directors, the Chairman and the financial acumen of the Board, Board Meetings, Board balance, the supply of information to the Board, appointment and re-election of Directors, Appraisal of Board performance, information relating to Directors, appraisal of the Chief Executive's performance, remuneration of Directors and disclosures, Remuneration Committee, Audit Committee, shareholder/investor relations and communications, major and material transactions, financial reporting, internal control, code of business conduct & ethics, disclosures and sustainability reporting are covered in the Company's response to its adherence. Information on adherence is available in the Company's website and forms part of this Enterprise Governance Report.

The Company is also a signatory to the UN Global Compact which deals with concerns of human rights, labour, the environment and anti-corruption. The level of participation of DIMO in the Sustainable Development Goals (SDGs) pronounced by UN Global Compact is presented in the Impact Management Report from page 94 to 111.

DIMO's Code of Business Ethics promotes responsible corporate behaviour and is a voluntary initiative of the Company which all employees have signed and agreed to follow. More information on the code is available on page 107 in the section on Impact Management.

The "In accordance with the GRI Standards: Comprehensive Option" of the GRI standards followed by DIMO for sustainability reporting, promotes transparency with regard to the economic, societal and environmental impacts made by the Company. The GRI content index available from pages 169 to 174 provides more details on this.

The Quality Management System and Environmental Management System are accredited by ISO 9001:2015 and ISO 14001:2015 respectively.

Assurance

Assurance obtained for the Financial Statements and for non-financial information, Internal Audit and Independent Certifications are key sources of assurance and comfort available with regard to the integrity and the due functioning of the conformance framework. These sources of assurance and comfort are depicted in the conformance framework appearing on page 42.

Independent assurance on the Financial Statements is provided by an independent auditor. The independent assurance obtained as

at the year-end is supplemented by an interim audit carried out during the year. The internal audit function is headed by the Group Chief Internal Auditor and field work is delegated to a firm of Chartered Accountants identified for the purpose by the Audit Committee. Assurance/Certification on the quality management system, the environmental management system and on the non-financial information presented in this report is obtained from an independent licensed assurance provider.

Point of Reference

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

Level of Compliance and Adherence

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

Conformance Aspects and Point of Reference

Capital / Activity	Expected Outcome	Key Conformance Aspect	Point of Reference
Monetised capital	Improved ROCE	Internal control	Audit Committee
		Internal audit	Audit Committee
		Uncertainty management	Risk Management Framework
		Assurance	Audit Committee Independent Auditors
Customers	Increased stakeholder satisfaction	Ethical marketing	Quality Management System
		Customer health and safety	Quality Management System
		Customer privacy	Quality Management System

Capital / Activity	Expected Outcome	Key Conformance Aspect	Point of Reference
Employees	Increased stakeholder satisfaction	Employee safety	Quality Management System UN Global Compact Principles
		Employee rights	Code of Business Ethics
		Equal opportunities	UN Global Compact Principles
		Reducing gender inequality	Sustainability Objectives
		Comply with legislation and regulations relating to employees	Code of Business Ethics
Business Partners	Increased stakeholder satisfaction	Compliance with principals' requirements of ethical practices	Quality Management System
		Honour agreements with principals	Quality Management System
Intellectual capital	Enhanced brand reputation	Data security and integrity	Quality Management System
		Meet the requirements of the legislative enactments applicable to the Group	Code of Business Ethics
		Enhance and preserve the reputation of the Company by following best practices relating to good governance and sustainability	Code of Best Practice on Corporate Governance jointly issued by SEC and ICASL CSE Listing Rules Articles of Association GRI Standards
Society	Responsible corporate citizen	Anti-corruption	Code of Business Ethics
		Responsible corporate behaviour	UN Global Compact Principles
Economy	Responsible corporate citizen	Ensure that all taxes are paid correctly and on time	Legislative enactments appropriate to the Group
Environment	Responsible corporate citizen	Comply with all requirements of the Environment Management System	Environmental Management System
		Meet legal and regulatory requirements regarding the environment	Environmental Management System UN Global Compact Principles Code of Business Ethics
Value creation activities	Create value responsibly	Meet regulatory standards with regard to product and services	Quality Management System
		Meet regulatory standards and business ethics in performing supply chain activities	Code of Business Ethics
		Product responsibility	Quality Management System

Level of Compliance and Adherence

Point of Reference	Aspect of Regulation	Status
The Code of Best Practices on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (The Code)	Best Practices of Corporate Governance	All requirements of the code and the compliance level are available on company's website at www.dimolanka.com/stewardship/
Listing Rules of the Colombo Stock Exchange	Listing rules to be followed by listed companies in Sri Lanka including on Corporate Governance relating to, among others:	Complied. The compliance level is given in the tables on pages 47 to 48
	- Non Executive Directors	
	- Independent Directors	
	- Disclosures relating to Directors	
	- Remuneration Committee	
	- Audit Committee	
	- Related Party Transaction Review Committee	
Legislative enactments applicable to the Group	Legal requirements that the Group is subjected to	The Code of Business Ethics specifically requires that all employees comply with all applicable laws. Employees sign a declaration to the effect that they will follow Code of Business Ethics

Point of Reference	Aspect of Regulation	Status
Articles of Association	Requirements prescribed by the Articles of Association	Complied
Code of Business Ethics	Compliance requirements applicable to all employees	All employees sign declarations to the effect that all requirements in the Code will be complied with
GRI Standards on Sustainability Reporting	To report on sustainability related performance in a complete generally accepted manner as specified by GRI Standards	Complied. The GRI content index is available on pages 169 to 174. The Report on the Independent Assurance obtained on Non-Financial Reporting is available from pages 175 to 177
Environment Management System (EMS)	Meet the requirements of the Group's Environmental Management System accredited by the ISO 14001:2015 Standard	Complied. The Group's Environmental Management System is certified with ISO 14001:2015 with certification provided by Det Norske Veritas AS (DNV)
Quality Management System (QMS)	Meet the requirements of the Group's Quality Management System accredited by the ISO 9001:2015 Standard	Complied. The Group's QMS is certified with ISO 9001: 2015, with certification provided by Det Norske Veritas AS (DNV)
UN Global Compact Ten Principles	To comply with the requirements of the declaration made on the UN Global Compact Ten Principles covering Human Rights, Labour, Environment and Anti - Corruption and also to participate in pursuing sustainable development goals	Communication on progress is available on company's website at www.dimolanka.com/sustainability/sustainability-performance
Audit Committee	Among other responsibilities, to review effectiveness of Internal Control, Internal Audit and Independent Assurance	Effectiveness of internal controls is reviewed with the Internal Auditors and Independent Auditors. The performance of Internal Auditors and Independent Auditors is also reviewed by the Audit Committee. Where necessary, members of the Group Management Committee are called upon to explain matters relating to internal controls
Risk Management	To manage risks that the Group is exposed to	Please refer the Risk Management Report on pages 56 to 61

Disclosures

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

Disclosures Required by the Companies Act No. 07 of 2007

Section Reference	Requirement	Annual Report Reference
168 (1) (a)	The nature of the business of the Group and the Company together with any change thereof during the accounting period	128
168 (1) (b)	Signed Financial Statements of the Group and the Company for the accounting period completed	120 - 165
168 (1) (c)	Auditors' Report on Financial Statements of the Group and the Company	121
168 (1) (d)	Accounting Policies and any changes therein	112 - 165
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	117
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	136
168 (1) (g)	Corporate donations made by the Company during the accounting period	136
168 (1) (h)	Information on the Directorate of the Company and its Subsidiaries during and at the end of the accounting period	21
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	136
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	115
168 (1) (k)	Acknowledgement of the contents of this Report and Signatures on behalf of the Board (Annual Report of the Board of Directors)	114 - 116

Disclosures Required by the Listing Rules of the Colombo Stock Exchange

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

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.1(a)	Non-Executive Directors	At least two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	Three out of nine Directors were Non-Executive Directors up to 31st May 2016. Four out of thirteen Directors were Non-Executive Directors from 01st June 2016 onwards
7.10.2(a)	Independent Directors	Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Compliant	Two out of three Non-Executive Directors were independent up to 31st May 2016. Three out of four Non-Executive Directors were independent from 01st June 2016 onwards
7.10.2(b)	Independence of Directors	Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Compliant	The Non-Executive Directors have submitted the 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	Please refer pages 26 and 27
7.10.3(b)	Independence of Directors	The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Compliant	The Board has made such determination and the basis for determination of "Independence" is explained in the Annual Report of the Board of Directors. Please refer pages 114 and 116
7.10.3(c)	Disclosures relating to Directors	A brief resume of each Director should be included in the Annual Report including his/her area of expertise	Compliant	Please refer pages 26 and 27
7.10.3(d)	Appointment of new Directors	Provide a brief resume of any new Director appointed to the Board	Compliant	Please refer pages 26 and 27
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 52
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Compliant	The Committee consisted of three Non-Executive Directors up to 31st May 2016 of which two were Independent. The Committee consisted of four Non-Executive Directors from 01st June 2016 of which three were independent. The Chairman of the Remuneration Committee was an Independent Non-Executive Director throughout the year
7.10.5(b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	Please refer the Remuneration Committee Report on page 52
7.10.5(c)	Disclosure in the Annual Report relating to the Remuneration Committee	The Annual Report should set out;	Compliant	Please refer page 52
		a) Names of the Directors comprising the Remuneration Committee		
		b) Statement of Remuneration policy	Compliant	Please refer the Remuneration Committee Report on page 52
		c) Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Please refer page 136
7.10.6	Audit Committee	A listed company shall have an Audit Committee	Compliant	Names of the members of the Audit Committee are available on page 51

Rule No.	Subject	Applicable Requirement	Compliance Status	Details
7.10.6.(a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent	Compliant	The Committee consisted of three Non-Executive Directors up to 31st May 2016 of which two were independent. The Committee consisted of four Non-Executive Directors from 01st June 2016 of which three were independent. The Chairman of the Audit Committee was an Independent Non-Executive Director throughout the year
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings	Compliant	The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	The Chairman of the Audit Committee is a member of The Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants UK
7.10.6.(b)	Functions of Audit Committee	Should be as outlined in the Section 7.10 of the Listing Rules	Compliant	The terms of reference of the Audit Committee was adopted by the Board on 20th June 2007 and last reviewed on 24th May 2016, cover the areas outlined
7.10.6.(c)	Disclosure in the Annual Report relating to the Audit Committee	a) Names of the Directors comprising the Audit Committee	Compliant	Please refer page 51
		b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer the Audit Committee Report on page 51
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Compliant	Please refer the Audit Committee Report on page 51

Disclosures Specified by Section 7.6 of the Listing Rules of the Colombo Stock Exchange

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

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 53 for the Related Party Transaction Review Committee Report.

Composition of the Board and Board Committees and Attendance at Meetings for 2016/17

Board Member	Date of Appointment to the Board		Attendance at Meetings	
	First	Re-election	Position	Attendance
A.R. Pandithage	June 1977	Not Applicable	Chairman/Managing Director	6/6
R. Seevaratnam	January 2007	June 2016	Senior Independent Director	5/6
Dr. H. Cabral	October 2006	June 2014	Independent Director	5/6
A.M. Pandithage	September 1982	June 2012	Non-Executive Director	5/6
A.D.B. Talwatte	June 2016	Please refer note*	Independent Director	5/5
A.N. Algama	November 1984	June 2016	Executive Director	6/6
S.C. Algama	November 1984	June 2014	Executive Director	6/6
A.G. Pandithage	December 1995	June 2016	CEO /Director	6/6
B.C.S.A.P. Gooneratne	April 2006	June 2011	Director/Chief Financial Officer	6/6
R.C. Weerawardane	June 2002	June 2016	Executive Director	6/6
M.V. Bandara	June 2016	Please refer note*	Executive Director	5/5
P.K.W. Mahendra	June 2016	Please refer note*	Executive Director	5/5
S.R.W.M.C. Ranawana	June 2016	Please refer note*	Executive Director	5/5

* Note

Mr. A.D.B. Talwatte, Mr. M.V. Bandara, Mr. P.K.W. Mahendra and Mr. S.R.W.M.C. Ranawana were appointed to the Board with effect from 01st June 2016 and will eligible for the re-election at the forthcoming Annual General Meeting.

Number of Executive Directors and Non-Executive Directors attended Board Meetings Held During the Year

Board Meeting Date	Gap Between Meetings (days)	No. of Directors Attended		
		Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
24/05/2016	56	6/6	0/1	1/2
14/06/2016	21	9/9	1/1	2/3
29/07/2016	45	9/9	1/1	3/3
11/10/2016	74	9/9	1/1	3/3
10/11/2016	30	9/9	1/1	3/3
14/02/2017	96	9/9	1/1	3/3

Senior Independent Director's Statement

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

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

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

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

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



R. Seevaratnam

Senior Independent Director

Colombo

23rd May 2017

Committee Reports

Report of the Audit Committee



A.D.B. Talwatte
Chairman - Audit Committee

Role of the Audit Committee

The role of the Audit Committee is to oversee the financial reporting system of the Company, with a view to safeguarding the interests of the shareholders and all other stakeholders.

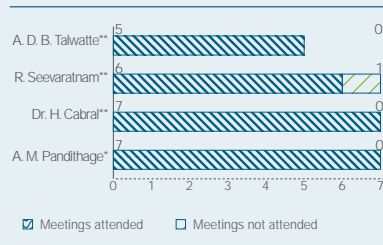
Committee Composition

The Committee, as at 31st March 2017, comprised of Mr. A. D. B. Talwatte (Chairman), Dr. H. Cabral, Mr. A. M. Pandithage and Mr. R. Seevaratnam. The Committee's composition met the requirements of the rule 7.10.6 of Listing Rules of the Colombo Stock Exchange.

Mr. R. Seevaratnam was the Chairman of the Audit Committee upto 11th October 2016. Mr. A.D.B Talwatte was appointed to the Committee on 01st June 2016 and as its Chairman with effect from 11th October 2016. Mr. R. Seevaratnam continues to be a member of the Audit Committee.

Category	Number of Directors
Non-Executive Directors	01
Independent Non-Executive Directors	03

MEETING ATTENDANCE



* Non- Executive Director
** Independent Non- Executive Director

Terms of Reference

The Audit Committee has terms of reference, dealing with its authority and duties, which is established for the purpose of assisting the Board

in fulfilling their oversight responsibilities that include the integrity of the Financial Statements, risk management, business ethics, internal control, compliance with legal and regulatory requirements, review of Independent External Auditors' performance and the Internal Audit.

Compliance

Compliance with Financial Reporting Requirements

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

The review included:

- Appropriateness and changes in Accounting Policies.
- Significant estimates and judgement made by the management.
- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Impairment of assets.
- Issues arising from the Internal Audit and Independent External Audit.
- The Group's/Company's ability to continue as a going concern.

Compliance with Laws and Regulations

The Audit Committee reviewed the reports submitted by the management and 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.

Audit and Accountability

Internal Controls

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

Internal Auditors

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

The Audit Committee monitors and reviews:

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

Risk Management

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

The key risks associated with the business are given in the Risk Management Report on pages 56 to 61.

Independent Auditors

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

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

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

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

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 115 in the Annual Report of the Board of Directors.

Conclusion

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

A.D.B. TALWATTE
Chairman - Audit Committee

Colombo
23rd May 2017

STAYING IN LINE

Committee Reports

Report of the Remuneration Committee



Dr. H. Cabral
Chairman - Remuneration Committee

Role and Responsibilities

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

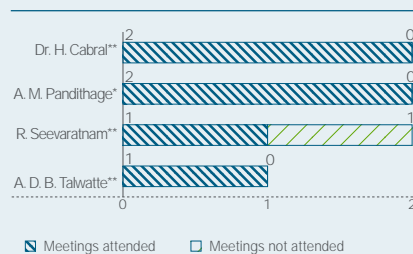
Committee Composition

The Committee, as at 31st March 2017, comprised of Dr. H. Cabral (Chairman), Mr. A. M. Pandithage, Mr. R. Seevaratnam and Mr. A. D. B. Talwatte. Mr. A. D. B. Talwatte was appointed to the Committee on 01st June 2016.

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

Category	Number of Directors
Non-Executive Directors	01
Independent Non-Executive Directors	03

MEETING ATTENDANCE



* Non- Executive Director
** Independent Non- Executive Director

Terms of Reference

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

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

Remuneration Policy

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

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

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

The Company does not have an employee share ownership plan for members of the Board, who are considered as Key Management Personnel (KMP).

Directors' Emoluments

The Directors' emoluments are disclosed in Note 4.5 on page 136.

Evaluation of the Committee Performance

The annual evaluation of the Committee was carried out by the Board during the year and the outcome of the evaluation is given on page 115 in the Annual Report of the Board of Directors.

DR. H. CABRAL
Chairman - Remuneration Committee

Colombo
23rd May 2017

Related Party Transactions Review Committee



R. Seevaratnam
Chairman - Related Party Transactions Review Committee

Role of the Committee

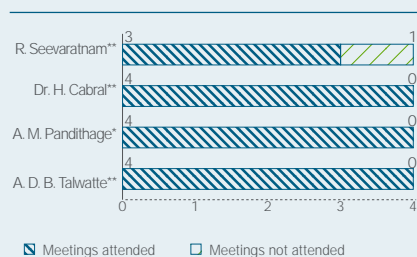
The Committee assists the Board in reviewing all related party transactions carried out by the Company. The Committee also performs the oversight function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

Committee Composition

The Committee, as at 31st March 2017, comprised of Mr. R. Seevaratnam (Chairman), Dr. H. Cabral, Mr. A. M. Pandithage and Mr. A. D. B. Talwatte. Mr. A. D. B. Talwatte was appointed to the Committee on 01st June 2016. The composition of the Committee met the requirements of the rule 9.2.2 of Listing Rules of the Colombo Stock Exchange.

Category	Number of Directors
Non-Executive Directors	01
Independent Non-Executive Directors	03

MEETING ATTENDANCE



* Non- Executive Director
** Independent Non- Executive Director

Policies and Procedures

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

Terms of Reference

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

Terms of reference of the Committee include the following:

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such a Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee.
- To recommend the creation of a special committee to review and approve the proposed Related Party Transaction, in the event of any potential conflict of interest.
- Establishing guidelines to be followed by senior management in the event Related Party Transactions are ongoing. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships and transactions with the related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

Related Party Transactions during the Year

The activities and observations of the Committee are communicated to the Board. During the year there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules

requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 5.1 to the Financial Statements.

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 115 in the Annual Report of the Board of Directors.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on page 115. All other related party transactions that could be classified as related party transactions in terms of LKAS 24-'Related Party Disclosures', are given in Note 5.1 to the Financial Statements.

R. SEEVARATNAM
Chairman - Related Party Transactions Review Committee

Colombo
23rd May 2017

STAYING IN LINE

Committee Reports

Report of the Nomination Committee



Dr. H. Cabral
Chairman - Nomination Committee

Role of the Committee

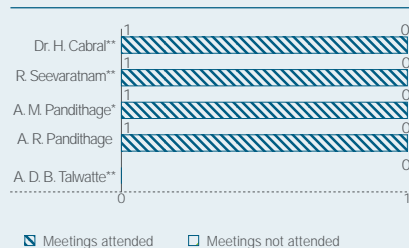
The role of the Committee is to review the structure and composition of the Board and make recommendations to the Board on all new Board appointments. In order to ensure that the Board possesses the correct mix of expertise for its effective functioning, the Committee assesses the Board composition to ascertain whether the combined knowledge, skills mix and experience of the Board matches the strategic demands facing the Company.

Committee Composition

The Committee, as at 31st March 2017, comprised of Dr. H. Cabral (Chairman), Mr. A. R. Pandithage, Mr. A. M. Pandithage, Mr. R. Seevaratnam, and Mr. A. D. B. Talwatte. Mr. A. D. B. Talwatte was appointed to the Committee on 01st June 2016.

Category	Number of Directors
Non-Executive Directors	01
Independent Non-Executive Directors	03
The Chairman/ Managing Director	01

MEETING ATTENDANCE



* Non- Executive Director

** Independent Non- Executive Director

Terms of Reference and Key Activities

The terms of reference of the Nomination Committee include the following:

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

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

During the year, the Committee recommended that one Independent Non-Executive Director and three Executive Directors be appointed to the Board. The details of the appointments are available in Annual Report of Board of Directors on page 114.

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

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 115 in the Annual Report of the Board of Directors.

DR. H. CABRAL
Chairman - Nomination Committee

Colombo
23rd May 2017

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

The Consolidated Financial Statements are prepared 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
- Any other applicable statutes.

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 judgements relating to the Financial Statements were made in a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs.

To ensure this, the Company has taken reasonable and sufficient care in installing a system of internal control and accounting records for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

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

The Financial Statements were audited by Messrs KPMG, Chartered Accountants, the Independent External Auditors.

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



A.R. PANDITHAGE
Chairman/Managing Director



A.G. PANDITHAGE
Director/Group Chief Executive Officer



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

Colombo
23rd May 2017

Risk Management

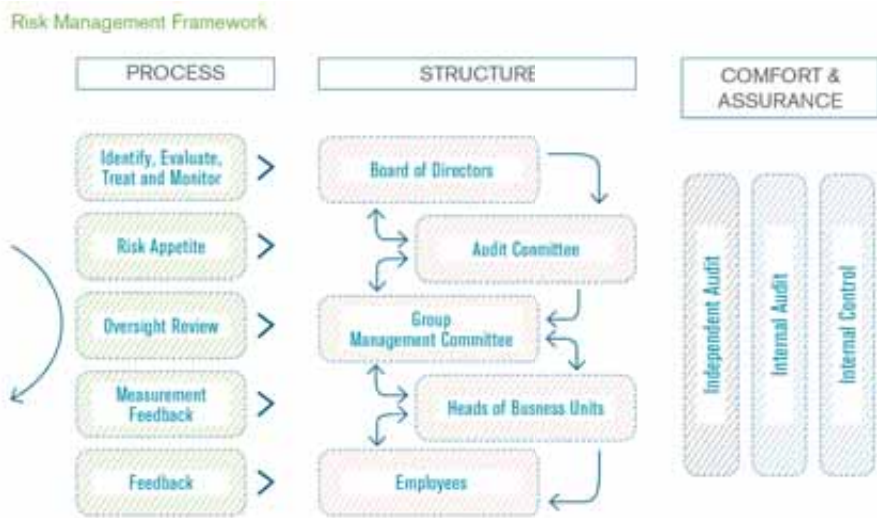
The Group Management Committee (GMC) is responsible for implementing the risk management process. The GMC examines situations, processes and possible events that could expose the Group to situations that could seriously reduce earnings, threaten its sustenance, impair its liquidity or lead to legal, regulatory or reputational risks. While the GMC identifies such risks internally, stakeholder engagement and feedback are other avenues through which we identify internal and external risks.

Managing risk is a key aspect of the Board's stewardship obligations and a component of the 'performance' dimension of Enterprise Governance.

The risk management framework illustrates our approach to risk management, reflecting the risk management process, the structure in place to administer the process and sources of comfort with regard to its effectiveness.

Risks falling outside the risk appetite are identified and relevant risk mitigation actions are implemented. These actions are monitored through management systems where the heads of the business units use employee inputs to provide useful information and feedback to the GMC. In order to supplement this process, each division is required to maintain a risk register as mandated by our ISO certified Quality Management System.

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



The Board is responsible for ensuring effective risk management. The risk management framework indicates how they convert their mandate into action. The Audit Committee reviews the effectiveness of the risk management process, which includes all aspects from determining risk appetite at Board level to measurements and feedback at operational level.

The Group Management Committee (GMC) is responsible for implementing the risk management process. The GMC examines situations, processes and possible events that could expose the Group to situations that could seriously reduce earnings, threaten its sustenance, impair its liquidity or lead

to legal, regulatory or reputational risks. While the GMC identifies such risks internally, stakeholder engagement and feedback are other avenues through which we identify internal and external risks.

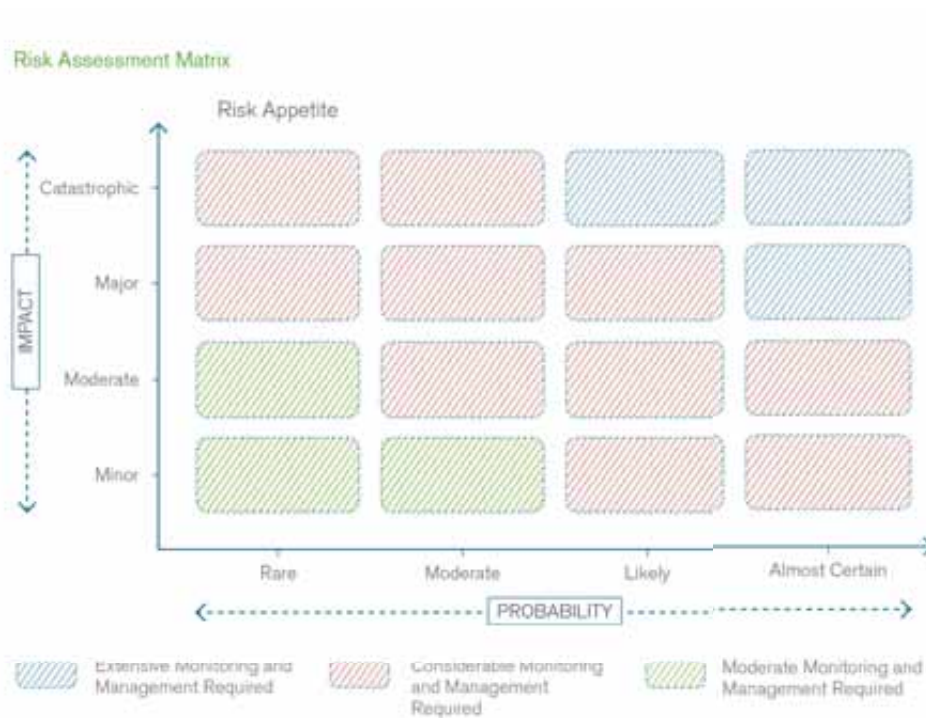


Risk Evaluation and Mapping

Risk evaluation involves assessing the likelihood of occurrence and the potential impact of risks, should they occur. Likelihood of occurrence is assessed on the basis of past experience and the preventive measures in place. A ranking of 'almost certain', 'likely', 'moderate' or 'rare', as relating to the probability of occurrence is assigned to each risk. The impact of the event is assessed by determining the loss it would cause and the extent of the impact. After consideration of these two factors, the impact is then categorised as 'minor', 'moderate', 'major' or 'catastrophic'.

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

Risks and their corresponding mitigating action plans are reviewed by the GMC.



Risk Mitigation

The table below shows the risks identified, with the relevant risk mitigation actions and the change in risk profile.

	Category/ Segment Affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				2016/17	2015/16	2014/15	2013/14	2012/13
01	Monetised Capital	Negative impact on the Group's cost of funding due to the increment in interest rate	<ul style="list-style-type: none"> Ensuring a proper mix of short and long term borrowings Maintain an appropriate combination of fixed and floating rate borrowings 	●	●	●	●	●
02	Monetised Capital	Unavailability of sufficient working capital, negatively affecting the smooth functioning of day-to-day operations of the Group	<ul style="list-style-type: none"> The finance and treasury functions ensure that banking facilities are in place to cover its forecasted cash needs for a period of at least twelve months The Group maintains a desired mixture of cash and cash equivalents Adequate banking facilities are in place to support operations 	●	●	●	●	●
03	Monetised Capital	Damages resulting from natural disasters such as fire and floods	<ul style="list-style-type: none"> Preventive safety measures are taken to minimise potential injuries to people and damage to property in case of fire or floods The Group's disaster recovery plan ensures smooth functioning of operations in the event of a natural disaster Indemnity provided by insurance policies 	●	●	●	●	●
04	Customer Relationship Capital	Loss of customers and resulting impact on business due to dissatisfied customers	<ul style="list-style-type: none"> Availability of ISO 9001: 2015 accredited Quality Management System Dedicated unit for Customer Relationship Management Continuous training for employees on customer care and aftercare Inclusion of customer care and customer satisfaction index in employees' and business unit objectives <p>A detailed narrative on delivering value to customers is available under Relationship Capital- Customer from pages 68 to 71</p>	●	●	●	●	●
05	Human Capital	Failure to achieve growth plans as a result of failure to attract and retain sufficient numbers of qualified and experienced employees and/or inability to ensure their ongoing engagement and commitment	<ul style="list-style-type: none"> Due importance is given to the talent management function of the Group Top management involvement in talent management led by the Human Resources (HR) Department Adoption of best practices in Human Resources Management Conducting periodic employee satisfaction and experience surveys Significant level of investment in training and development Existence of a competitive remuneration policy <p>More employee-related information is available in the Human Capital Report from pages 76 to 79</p>	●	●	●	●	●

	Category/ Segment Affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				2016/17	2015/16	2014/15	2013/14	2012/13
06	Human Capital	Losses from low productivity and low employee engagement as a result of industrial disputes	<ul style="list-style-type: none"> An 'Open door policy' is in place to discuss grievances with superiors An employee council meets every month to address employee concerns HR clinics are held at business locations where representatives from HR department visit locations to listen to employee grievances Mitigation actions implemented for the risk, provide us the opportunity to identify employee expectations and refine our HR practices for better employee engagement 	●	●	●	●	●
07	Business Partners Capital	Disruptions to the relationships with business partners negatively affecting the smooth functioning of the supply chain	<ul style="list-style-type: none"> Existence of a business partner capital building model which focuses on developing a mutually beneficial relationship with principals Periodic evaluation of principals' expectations and their satisfaction levels Independent surveys are conducted once in three years to assess whether the business partner expectations are met <p>A detailed account of our relationships with principals is given from pages 72 to 74</p>	●	●	●	●	●
08	Intellectual Capital	Loss of confidential data as a result of security breaches to the IT system	<ul style="list-style-type: none"> Extensive controls and reviews to maintain the security of IT infrastructure and data Regular back up of data and off-site storage of data backup system Disaster recovery plan 	●	●	●	●	●
09	Society	Potential exposure of the Group to financial losses, reputational damages and litigation due to non-compliance with laws or unacceptable corporate behaviour by employees	<ul style="list-style-type: none"> The tone from the top always promotes responsible behaviour The Code of Business Ethics of the Group requires that all employees comply with laws and regulations A written undertaking is obtained from every employee that he/she will respect the Code of Business Ethics Internal audits and independent assurance provide comfort on compliance with laws and regulations <p>A detailed account of Group's conformance aspects is presented in the Enterprise Governance Report from pages 41 to 54</p>	●	●	●	●	●
10	Society	Loss of social license to operate as a result of corporate behaviour against the interests of the society	<ul style="list-style-type: none"> Engagement in various community related activities, including community development and philanthropic initiatives Investments to develop social and physical infrastructure of the community Upholding the principles of the UN Global Compact Commitment to contribute to a number of United Nations Sustainable Development Goals (SDGs) <p>More details on interactions with the community are available from pages 106 to 109</p>	●	●	●	●	●

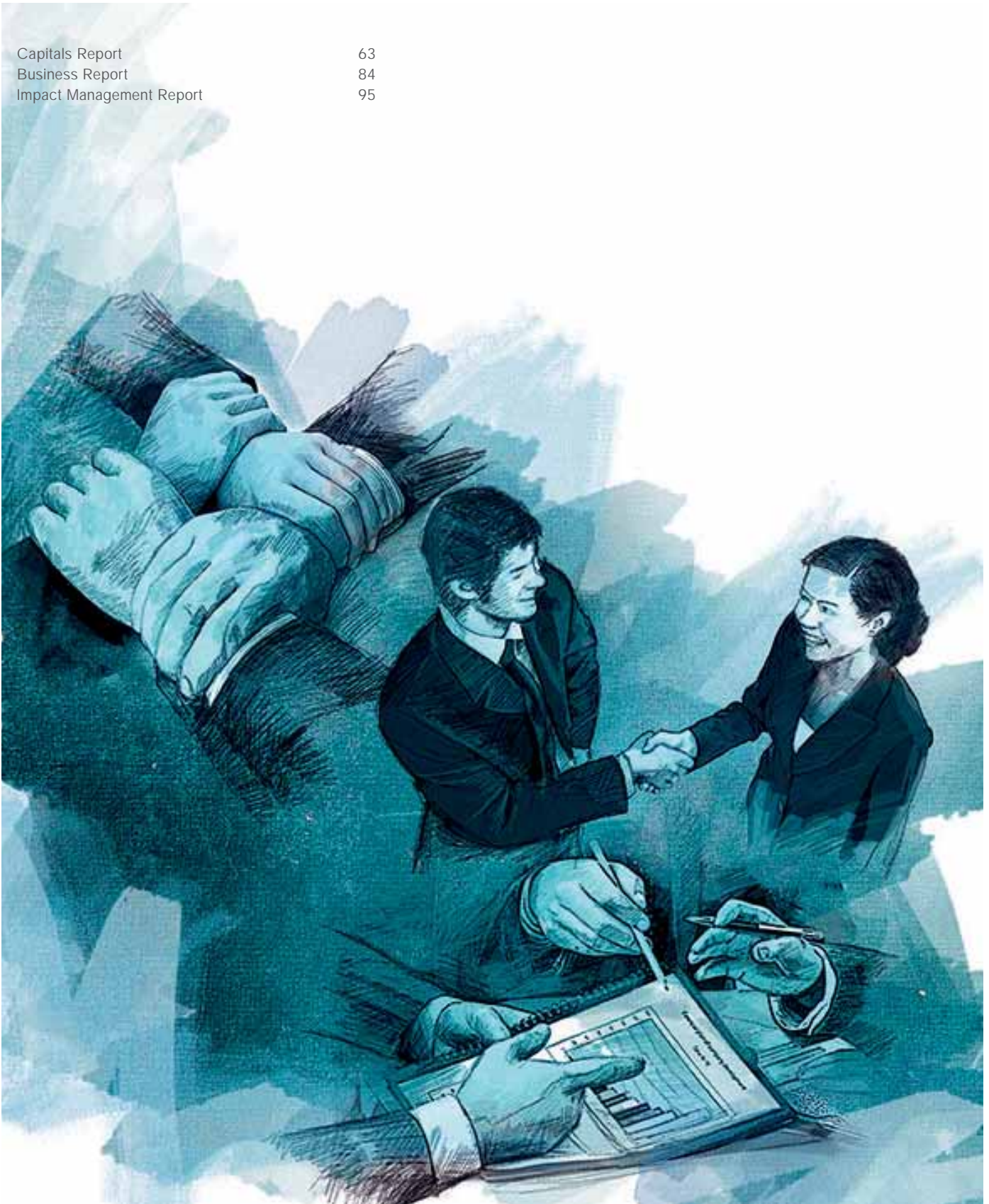
	Category/ Segment Affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				2016/17	2015/16	2014/15	2013/14	2012/13
11	All Stakeholders	Loss of stakeholder confidence, loss of business opportunities and depletion of the Group image due to the Group not being perceived as a responsible corporate citizen	<ul style="list-style-type: none"> Existence of a Sustainability Committee to identify and respond to environmental, social and economic impacts due to value creation activities Regular engagement with stakeholders to identify and address their material concerns Environmental and quality policy to guide strategy formulation and operational decision making ISO 14001:2015 accredited Environmental Management System The Group follows GRI Standards on sustainability reporting. GRI content index is available at www.dimolanka.com/sustainability/sustainability-performance <p>More information on the Group's efforts towards managing impacts as a result of value creation activities is presented from pages 94 to 111.</p>	●	●	●	●	●
12	Vehicle Sales Segment	The vulnerability of the automobile market to negative changes in interest rates and tariff, adversely affecting the Group's performance	<ul style="list-style-type: none"> Reduce the dependency on the Vehicle Segment, by gradually strengthening other business segments which are Marketing & Distribution, Construction and Material Handling Equipment and Electro Mechanical, Bio Medical Engineering and Marine Solutions 	●	●	●	●	●
13	Electro-mechanical, Bio-medical and Marine Engineering	The segment caters to a limited customer base where the bargaining power of customers is high. This may negatively affect our profit margins	<ul style="list-style-type: none"> Strengthening the service levels and product offering Enhance value addition through wider participation in the supply chain Diversifying into different markets and product /services <p>More information on this business segment is presented from pages 92 to 93.</p>	●	●	●	●	●
14	Construction & Material Handling Equipment Businesses	Intense competition from cheaper substitute products	<ul style="list-style-type: none"> Frequent knowledge sharing sessions to enhance customer awareness on the importance of product's high quality and durability Differentiating ourselves by providing exceptional aftercare services and offering annual maintenance contracts <p>More information on this business segment is presented from pages 90 to 91.</p>	●	●	●	●	●

	Category/ Segment Affected	Risk Statement	Risk Mitigation	Change in Risk Profile				
				2016/17	2015/16	2014/15	2013/14	2012/13
15	All Business Segments	Failure to secure delivery of products on time	<ul style="list-style-type: none"> Existence of a clearly defined and closely monitored supply chain management system for each business segment Maintaining a sound working capital management strategy Strong relationship with business partners <p>More information on business segments and the basis for capital allocation is available on pages 84 to 93 and 33 respectively.</p>	●	●	●	●	●
16	All Business Segments	Failure to compete in the market as a result of technological obsolescence in the supply chain	<ul style="list-style-type: none"> Regular investments to adopt new technology, especially in the provision of aftercare services Continuous training for employees on upcoming technologies The Group is backed by world renowned brands, some of whom are technology leaders. Therefore, technology is leveraged to compete with others 	●	●	●	●	●
17	All Segments	Losses on receivables due to adverse economic conditions and poor credit management	<ul style="list-style-type: none"> Strict adherence to Group Credit Policy that includes evaluation of a customer prior to granting credits Periodic review of receivables by the Group Management Committee 	●	●	●	●	●
18	All Segments	Negative changes in exchange rates (USD, Euro and Japanese Yen) causing potential losses on assets, liabilities and transactions denominated in foreign currency	<ul style="list-style-type: none"> Hedging through forward foreign exchange contracts, where desirable Hedging through foreign currency bank account balances and trade receivables 	●	●	●	●	●
19	All Segments	Losses resulting from slow moving inventory becoming obsolete	<ul style="list-style-type: none"> Existence of a clearly defined and monitored supply chain management system which carefully construct orders Leverage information technology to manage inventory and ordering 	●	●	●	●	●

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

Value Creation

Capitals Report	63
Business Report	84
Impact Management Report	95



Monetised Capital

Key Performance Measures

Aspect	Measure	2016/17	2015/16	2014/15	2013/14	2012/13
Revenue	Turnover (Rs. million)	44,493	37,750	28,037	20,884	27,711
Profitability	Gross profit ratio (%)	16.71	17.43	18.25	20.87	15.21
	Net profit ratio (%)	1.48	2.52	2.14	1.90	1.70
Working Capital Management	Current ratio (times) at the year end	1.33	1.47	1.45	1.50	1.71
	Quick asset ratio (times) at the year end	0.51	0.56	0.75	0.70	0.72
Asset Utilisation	Fixed asset turnover (times)	5.30	4.70	3.51	3.10	4.98
Investments	Capital expenditure as a percentage of total assets (%)	3.18	1.40	4.08	8.66	8.50
Capital Structure	Debt/Equity (%) – at the year end	8.95	13.06	17.29	23.15	10.10
	Interest cover (times)	2.22	3.93	3.00	2.42	2.24

Overview

Monetised Capital represents our resources which are stated in monetary terms in the Financial Statements. It includes financial capital, manufactured capital and monetised natural capital. Monetised capital is the medium through which we transact with many of our stakeholders. Thus, it remains a carefully managed capital.

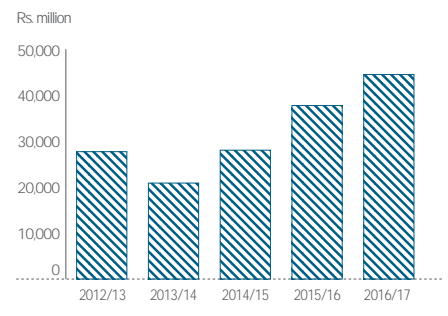
Effective management of monetised capital will require sound management of monetised value creation and careful utilisation and preserving of stores of monetised capital, supported by a sound management approach and management actions. Therefore, this review of monetised capital has been compartmentalised accordingly.

The following model provides the basis for this discussion. It is possible to understand our “store of monetised capital” by reviewing our financial position, “monetised value creation” by reviewing financial performance and “management of monetised capital” by reviewing of our management approach and management actions.

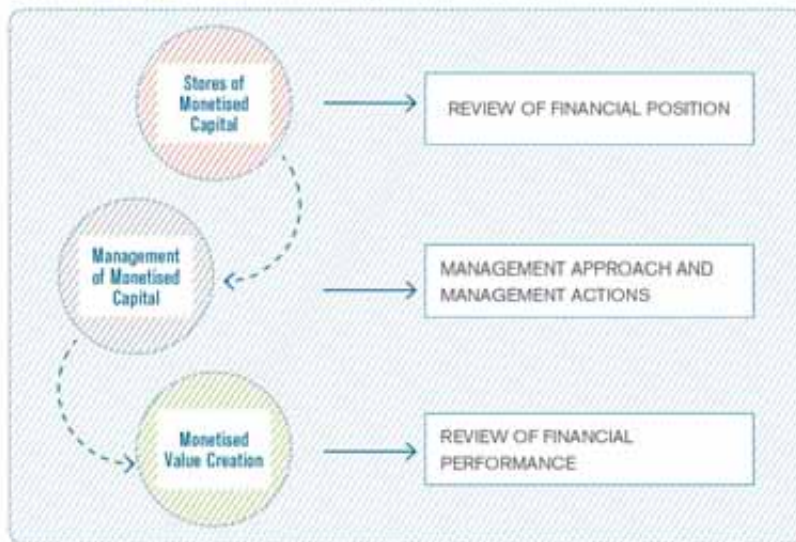
Management Approach

Monetised capital is a pre-requisite for our value creation process and for sustenance of the business. Therefore, its possession, use, management and accumulation are carefully scrutinised.

GROUP TURNOVER



Monetised Capital Management Model



Improved Return on Equity (ROE) is a key strategic outcome of the monetised value creation. Therefore, improving net profit margins through operating efficiently, asset turnover through effective utilisation of assets and financial leverage by achieving optimum capital structure receive due attention.

The review of Financial Position and Financial Performance collectively describe how the Group achieves our key strategic outcomes during the year, as a result of the management actions.

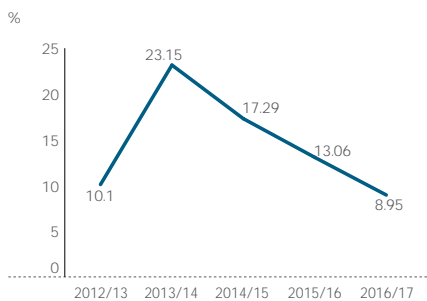
TOP OF THE LINE

Monetised Capital

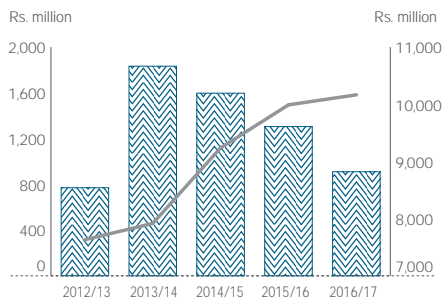
Review of Financial Position

This section describes the strength of the Group's monetised capital through the Statement of Financial Position.

DEBT TO EQUITY RATIO



CAPITAL STRUCTURE



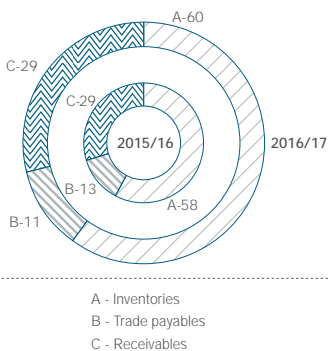
Capital Structure

The debt to equity ratio, which is calculated as a proportion of the total long term interest-bearing to equity, was 8.95% as at the year-end (13.06% - 2015/16). Increase of shareholder funds from Rs.9,990 million to Rs.10,165 million and decrease of long term borrowing by 30% during the year (18% in 2015/16) contributed to this reduction.

Working Capital

The increased level of activity has placed demands on the management of working capital and this receive due attention. Higher turnover during the year resulted in higher levels of inventory and receivables, increasing current assets from Rs.12,350 million to Rs.14,402 million. Inventory increased by 18% from Rs.7,607 million to Rs.8,942 million. Trade and other receivables also increased by 10% from Rs.3,877 million to Rs.4,277 million.

WORKING CAPITAL COMPOSITION (%)



Borrowings

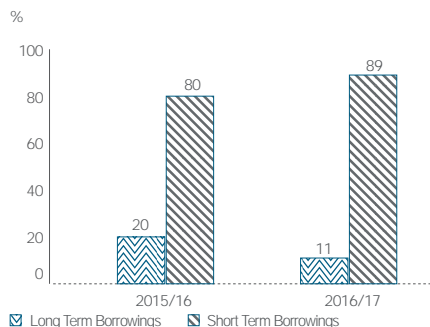
Borrowings consist of long-term loans, import loans, short-term loans and overdraft. The total amount of long term loans outstanding as at the year-end amounted to Rs.910 million (Rs.1,305 million 2015/16), indicating a reduction of 30%. The long – term loans have been obtained for five-year repayment periods except for the loan obtained to finance the acquisition of Weliveriya complex, which has a repayment period of ten years, and will be repaid in full during the next financial year.

Short term borrowings, which mainly secured for financing working capital, increased to Rs.7,473 million from Rs.5,180 million previous year.

Interest on overdrafts are reviewed periodically by the Group centralised treasury function and rates charged on short-term import loans are determined based on money market rates.

Details of borrowings appear on Note 4.22 to the Financial Statements.

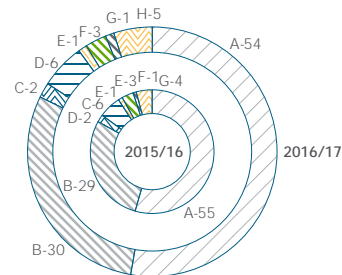
BORROWINGS



Property, Plant and Equipment

Investment in property, plant and equipment (PPE) at written down value as at the year-end was Rs.8,299 million (Rs.7,930 million - 2015/16). Capital expenditure for the year amounted to Rs.724 million. This include an amount of Rs.153 million invested on the new Kurunegala Branch. The 29 acre property in Dambulla acquired by the Company during the year to establish the centre of excellence for the agriculture business, caused an outflow of Rs.78 million.

PROPERTY, PLANT AND EQUIPMENT (%)



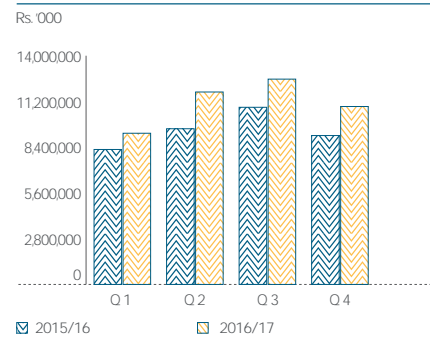
Review of Financial Performance

Review of financial performance covers aspects of monetised value creation including operating efficiency and effective utilisation of assets.

Turnover

The Group gross turnover for the year increased by 18% from Rs.37,750 million to Rs.44,493 million. The quarterly distribution of the annual turnover is given below.

TURNOVER - QUARTER PERFORMANCE



All business segments of the Group contributed to the overall increase in the annual turnover. Segment performance is available on page 133. The highest amount for the overall increase in revenue was contributed by the vehicle sales segment.

Segment Revenue

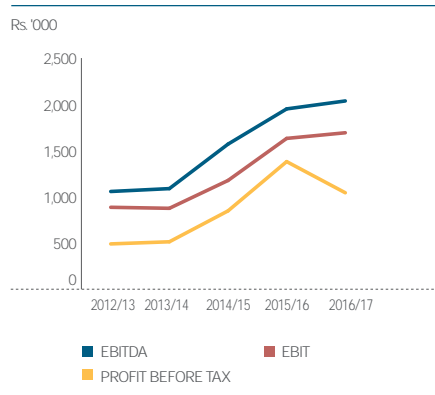
Business domain	2016/17 (Rs.billion)	2015/16 (Rs.billion)	% of Change
Vehicles-Sales	31.4	27.3	15%
Vehicles-After Services	3.5	2.9	21%
Marketing and Distribution	4.3	3.8	13%
Construction and Material Handling Equipment	2.6	1.5	73%
Electro-Mechanical, Bio-Medical and Marine Engineering	2.7	2.2	23%
Group Turnover	44.5	37.7	18%

Profitability

The Group's gross profit ratio for the year reduced to 16.7% from 17.4% in the previous year. All business segments recorded lower gross profit margins compared to the previous year. Gross profit for the year increased to Rs.7,398 million from Rs.6,536 million previous year. The gains in the gross profit did not flow through to the Profit Before Tax mainly due to the Rs.939 million increase in administrative expenses and Rs.386 million increase in finance costs. The Group Profit Before Tax was Rs.1,043 million compared Rs.1,380 million recorded in the previous year.

Earnings before interest and tax (EBIT) increased to Rs.1,900 million from Rs.1,850 million previous year.

EARNINGS



Earnings per share (EPS) for the year under review was Rs.73.99 compared to Rs.106.64 previous year. The computation of EPS is given in Note 4.7 to the Financial Statements. There were no changes in the number of shares in issue during the year.

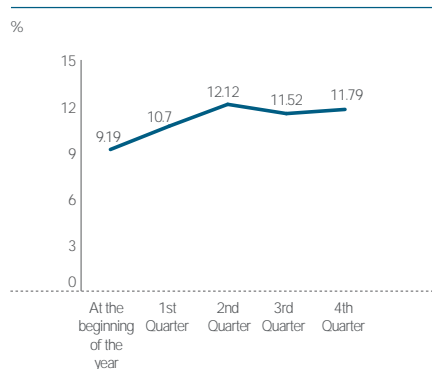
Administrative Expenses

The administrative expenses increased by 24% from Rs.3,910 to Rs.4,849 million. Staff related costs was a key contributor to this increase. The number of employees increased from 1,573 to 1,725 during the year.

Finance Costs

Finance costs increased by 82% during the year to Rs.856 million from Rs.470 in the previous year. Increase in borrowing rates and the increase in borrowings contributed to this increase. AWPR, which was 9.19% at the commencement of the year increased to 11.79% by the end of the financial year. The total borrowings (long-term borrowings and short-term borrowings) increased to Rs.8,382 million from Rs.6,484 million at the commencement of the year.

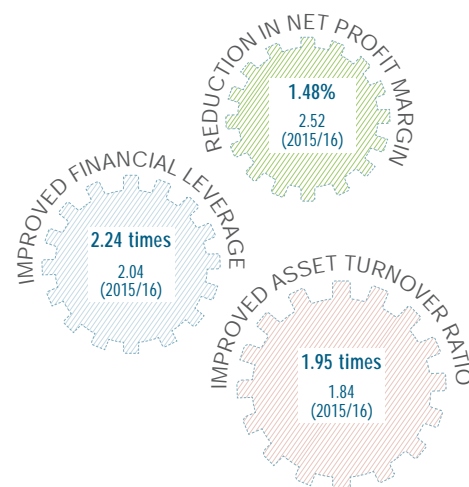
MOVEMENT IN AWPR



Above graph shows the movement of AWPR during the year. Increase in finance cost and decrease in net profit resulted in a reduction in interest cover from 3.93 times to 2.22 times.

Return on Equity (ROE)

Improved ROE is a key strategic outcome expected through our corporate strategy. The Group ROE was 6.46% during the year (9.46% in previous year).



Taxation

The Group income tax expenses decreased from Rs.433 million to Rs.387 million with the reduction of net profit before tax. The effective tax rate (including effect of deferred tax expense) increased to 37% from 31% compared to the previous year. The rate of income tax applicable to the Company and subsidiaries was 28%. The reconciliation between accounting profit and taxable income is available in Note 4.6 to the Financial Statements. The tax expense includes a deferred tax expense of Rs.74.5 million (Rs.62 million 2015/16). A summarised computation of deferred tax is given in Note 4.24 to the Financial Statements.

Dividends

The Board of Directors approved an interim dividend of Rs.24 per share (final dividend of Rs.27 per share in 2015/16) for the year ended 31st March 2017, which was paid on 31st March 2017. The gross dividend amounted to Rs.213 million (Rs.239.7 million final dividend- 2015/16). The dividend payout ratio for 2016/17 is 32.44% compared to 25.3% in 2015/16. The dividend cover applicable to the financial year was 3.08 times (3.95 times in 2015/16).

The Company had access to necessary funds to finance the payment of the interim dividend.

Solvency

As per the section 56 of the Companies Act No. 07 of 2007, the Company carried out a solvency test prior to the payment of the interim dividend and obtained a solvency certificate from the Independent Auditors stating that the Company has the ability to pay its debts as they become due in the normal course of business and that the Company meets the required solvency levels prior to payment of the interim dividend.

Management Actions

Management actions are directed towards management of financial, manufactured and monetised natural capitals ensuring that these resources are efficiently sourced and used in value creation. The following table presents key areas in which management actions are focused on.

Key aspects	Management action
Managing risk associated with Monetised Capital	The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management. The Group's overall risk management programme recognises the unpredictability of financial market and potential impacts by the fiscal policy of the government, and seeks to minimise adverse effects on the Group's financial performance. Risks relating to the continued availability, quality and affordability of monetised capital can be found on page 58 in the Risk Management report and Note 4.13.2 on Financial Risk Management.
Working capital management	The efficient management of working capital continues be a management priority and receives close attention of top management. There is continuous monitoring of working capital based on pre-determined KPI's. The Group current assets increased by 17% to Rs.14,402 million from Rs.12,350 million in the previous year. The Group's current liabilities also increased by 28% to Rs.10,795 million from Rs.8,398 million the previous year. Thus, the Group's current ratio was 1.33 as against 1.47 previous year.
Treasury Management	The Group has a centralised treasury function, which controls decisions in respect of cash management, the utilisation of borrowing facilities, banking relationships and foreign currency exposure management. The centralised treasury function enables effective cross utilisation of funds among businesses. Sensitivity Analysis – A sensitivity of profitability to fluctuations in the exchange rates is available in Note 4.13.2 to the Financial Statements in page 147. Information relating to the credit risk exposure of financial assets is available on pages 148 and 149 .
Cash Flow Management	Net cash used in operating, investing and finance activity caused the cash and cash equivalents to decrease by Rs.2,187 million (2015/16 - decrease of Rs.1,555 million). The outflow on account of interest payments and dividend payments amounted to Rs.856 million and Rs.453 million respectively (Rs.454 million and Rs.118 million respectively for 2015/16). Cash outflow on account of capital expenditure during the year was Rs.724 million (2015/16 - Rs.284 million). The Group possesses the necessary banking facilities to support its operations. Unutilised bank facilities as at 31st March 2017 amounted to Rs.5,801.3 million (2015/16 - Rs.6,217.8 million).
Management of monetised natural capital	The Environmental Impact Report discusses the management of monetised natural capital appearing from page 98 to 105.

Financial Priorities

The increase in working capital, administration costs and finance costs compelled the Group to identify the following areas for special attention:

- Stringent management of working capital
- Identify businesses that perform below expectations and closely monitor their progress
- Prudent management of costs

The above measures are integrated with the identified long-term financial priorities that are strongly pursued in formulating corporate strategy. The following are the Group's financial priorities that drive the Group's financial strategy:

- Optimising profitability through value addition and effective utilisation of resources particularly through prudent working capital management
- Striking a balance between growth and immediate profitability in allocating financial resources
- Maintaining a healthy Statement of Financial Position.

Financial Outlook

The Group achieved its budgeted revenue for the financial year under review. The third quarter of the year witnessed some macro-economic developments that adversely affected the vehicle sales segment. Among the adverse factors are the increase in interest rates, LTV ratio and increase in import duties on small commercial vehicle segments. Further continuation of these negative factors is likely to hinder growth. We are focused on improving profitability through cost management, greater efficiencies and productivity improvements. The budget for the financial year 2017/18 is prepared after taking above matters into consideration.

Relationship Capital - Customers

Key Performance Measures

Aspect	Measure	2016/17	2015/16	2014/15	2013/14	2012/13
Customer service	No. of CRM personnel	30	35	39	30	35
Customer convenience	No. of customer interaction points	65	60	57	56	52
	No. of business locations in the North and East	6	6	7	7	8
Customer satisfaction	Average Customer Satisfaction Index (%)	90	88	90	88	86

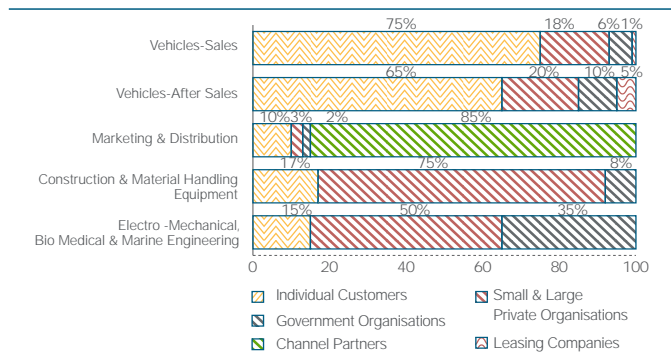
Overview

Our customer is one of two key components of DIMO's Relationship Capital, the other being Business Partners. Customer capital influences revenues in the short, medium and long term and thus, warrants careful nurturing.

The quality of our interactions with customers has a significant influence on enhancing customer capital. Therefore our commitment to proactive, empathetic and meaningful customer engagement is very strong.

We take pride in the diversity of our customer base (shown below) as it demonstrates the depth and breadth of our revenue streams. The table indicates demand in each of our industrial sectors based on the five customer segments we serve.

SEGMENTWISE CUSTOMER PROFILE



We have invested over 78 years of steadfast service into winning the trust of thousands of Sri Lankans and will continue to work hard to maintain and deserve their confidence in the years ahead.

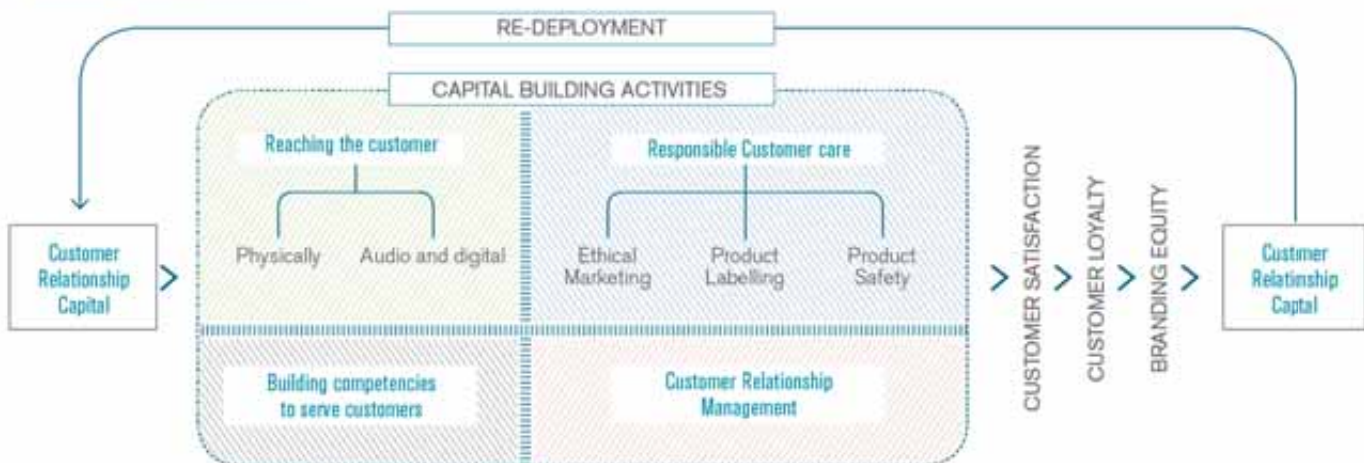
Management Approach

We believe that the quality of our customer relationships depends on the strength of our communication and engagement. Therefore, we have carried out surveys and in-depth research to acquire valuable customer insights and feedback. We have developed a capital building model based on these findings and our own knowledge.

DIMO always strives to bring best in class products and solutions to customers; the combination of our customer centric approach with our offering thus provides them a unique value proposition.

Today, the synergies created by our global brands and partnerships, our highly skilled workforce and our ability to distinguish ourselves in the industry sectors where we operate, help ensure the strength and vibrancy of our customer capital.

Customer Capital Building Model



Reaching Our Customers

We communicate with our customers honestly, thoughtfully and frequently, because we believe that this dialogue is vital in creating the level of brand equity we seek. Customer contact takes place over multiple platforms in ways that are convenient and relevant to each individual; whether online, face to face or over the phone.

Reaching People Everywhere

DIMO has invested into creating the broadest possible presence Island-wide. Today, our network includes 32 branches, 11 display points and 22 customer contact points (see map). This network is supported by a mobile sales team, which further increases our reach. So whoever and wherever our existing or potential customers may be, we can be right there to serve them.

Customer Interaction Points



- Head office
- ▲ Branches
- ◆ Display Points
- ★ Customer Contact Point
- 3S Sales, Service & Spare Parts
- S Sales
- SER Service

Western Province		
Head Office	011-2449797	■ 3S
DIMO Mart	011-4360014	▲ S
MB Center	011-4448989	▲ 3S
Medical Engineering & Power Engineering Solutions	011-4607100	▲ 3S
Total Marine Solutions	011-4602000	▲ 3S
Tyres, Power Tools sales & tools service	011-4645141	▲ 3S
Siyambalape Complex	011-2400670	▲ SER
DIMO Logistics Centre	033-4934753	▲ 3S
TATA Passenger Car Workshop	011-4645487/88	▲ SER
DIMO Tyre Mart	011-4501035	▲ 3S
Gampaha	033-4641034	◆ S
Yakkala	033-4641004	◆ S
Awissawella	036-4641003	◆ S
Piliyandala	011-4376943	★ S
Horana	034-4947836	★ S
Kurana	031-4641026	★ S
Moratuwa	011-4645735	★ S
Agri Machinery sales	011-2449797	▲ S
Bosch Service Centre	077-3399933	▲ SER
Komatsu & KSB Sales	011-2449797	▲ S
Mathugama	034-4941129	★ S
Padukka	011-4645754	★ S
TATA Showroom	011-2449711	▲ S
TATA Spare Parts Showroom	011-4602100	▲ S
Construction Spare Parts Sale center	011-4645384/5	▲ S
DIMO Lighting	011-4501270	▲ S
Negombo TATA Passenger Car Show Room	077-1724997	▲ S
Kalutara TATA Passenger Car Show Room	077-3694033	▲ S
Southern Province		
Matara	041-4929378-9	▲ 3S
Na Sevana Technical Institute	047-4641022	▲ SER
Ambalangoda	091-4941158	◆ S
Tissamaharama	047-4932442	◆ 3S
Ambalantota	047-4934019	★ S
Galle	091-4501004	★ S
Akuressa	041-4641060	★ S

North Western Province		
Kurunegala	037-4697801	▲ 3S
FMC operations	0773 602883	▲ SER
Puttalam	032-4930526	◆ 3S
Nikaweratiya	037-4944378	◆ S
Chilaw	032-4501367	★ S
Kuliyapitiya	037-4501009	★ S
Wennappuwa	031-2254866	★ S
DIMO Kurunegala Regional Centre	037-4697800	▲ 3S
Northern Province		
Jaffna	021-4923672	▲ 3S
Vavuniya	024-4925009	◆ S
Mannar	023-4920459	★ S
Eastern Province		
Trincomalee	026-4641020	▲ 3S
Batticaloa	065-4927345	★ S
Ampara	063-4923406	▲ S
Central Province		
Kandy Branch-Katugastota	081-4940829	▲ S
Kandy Branch Workshop-Balagolla	081-4950445	▲ SER
Dambulla	066-4928283	◆ S
Sabaragamuwa Province		
Ratnapura	045-4928620	▲ 3S
Embillipitiya	047-4931050	◆ S
Kegalle	035-4641007	★ S
Uva Province		
Monaragala	055-4641012	★ S
Mahiyanganaya	055-4641022	◆ S
Welimada	057-4200100	★ S
North Central Province		
Anuradhapura	025-2223025	▲ 3S
Padaviya	025-4928867	★ S
Polonnaruwa	027-4641008	◆ S
Tambuttegama	025-4641015	★ S
Anuradhapura TATA Workshop-Accident Repair	025-2223025	▲ SER

TOP OF THE LINE

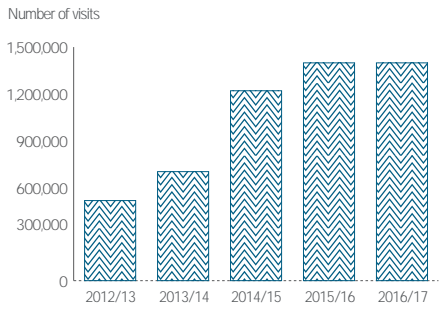
Relationship Capital - Customers

DIMO Online

DIMO's website is a dynamic one with continuously increasing traffic. Over 1250 product inquiries were received via our comprehensive, continuously updated products page. We also talk to our customers on five active Facebook pages, which saw over 33,000 average monthly engagements.

'Socialbakers' - a global social media analytics and performance solution provider recently identified three DIMO Facebook pages (DIMO Lanka, Mercedes-Benz Sri Lanka and Jeep Sri Lanka) as the top three pages with the most number of engagements, in the Sri Lankan automobile sector.

DIMO CORPORATE WEBSITE VISITS DURING THE YEAR



DIMO Call Centre

Customers can access the DIMO call centre 24/7 to make complaints or give feedback. This personalised interaction helps us to develop real and enduring relationships with our customers. The illustration demonstrates the importance and success of this channel of communication in our customer relationship building efforts.



Responsible Customer Care

Our focus on ethical marketing, responsible product labelling, and product safety bears testimony to DIMO's philosophy of overall corporate responsibility; giving our customers the assurance of integrity across the value chain.

Aspects of Responsible Customer Care

- Product Labelling**
 - At a minimum conforms to all statutory requirements
 - Adopt guidelines of Business Partners and globally accepted best practices
- Ethical Marketing**
 - Adherence to DIMO communication policy
 - Legitimate use of customer centric database
 - Adopt best practises observed by our Business Partners
- Product Safety**
 - Partner with suppliers who are reputed for high safety standards
 - ISO 9001:2015 accredited quality management system
 - Effective final controls in workshops
 - Pre-delivery inspections

NO BREACHES REPORTED DURING THE YEAR

The DIMO mission statement and stated values mandate responsible customer care. This places an obligation on every member of the DIMO tribe to be responsible for all that they undertake to do. Refer page 05 for more on the DIMO values.

Responsible customer care also helps the Company to manage risk associated with our customers, which otherwise has the potential to lead to loss of credibility and reputation.

Building Customer Service Skills

At DIMO, we pride ourselves on our holistic approach to build appropriate customer service skills within the organisation. We have integrated strong customer service training in every department and this ensures that our customer acquisition and retention strategies remain rooted in our core values.

We have identified the important communication and interaction skills needed to deliver a pleasurable customer experience and invest our

human and monetised capital towards continuous improvement in this area.

All new members of the DIMO tribe, regardless of their level of customer interaction, are trained to develop a customer-centric approach in all that they do. Such training is provided initially at their orientation and later through a web based Learning Management System (LMS). We believe this will help us to minimise the risk of customer dissatisfaction derived from inadequate or poor customer service skills.

In the year under review, 655 DIMO sales staff and 2,521 service staff trainings in communication skills, personal development, product knowledge and customer care through several training programmes held in-house and externally.

The table below lists the statistics related to training for sales and service staff.

Training for sale and service staff

Year	Sales Staff		Service Staff	
	Number of Persons Trained	Number of Training Hours	Number of Persons Trained	Number of Training Hours
2016/17	655	5,530	2,521	31,287
2015/16	703	6,284	2,592	20,451
2014/15	1,224	7,297	2,432	16,739
2013/14	638	3,873	1,900	16,146
2012/13	717	4,480	1,677	14,779

Managing Customer Relationships

The Customer Relationship Management (CRM) team is DIMO's frontline interface for customer and business partner interactions. Their experience and insights enable the management to minimise the risk associated with customer capital.

The perception and observation of the CRM team offer us a 360 degree view of our customers, which in turn helps us to offer our customers a consistent and seamless experience of DIMO, whichever business segment they engage with.

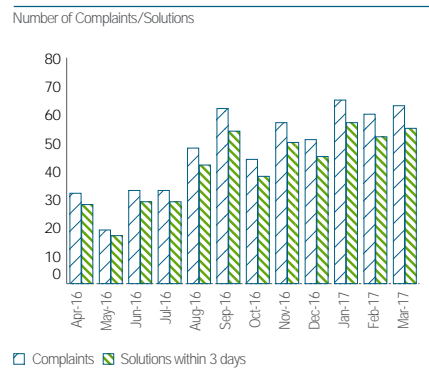
The illustration shows how the CRM team works to create better customer relationships.



Customer Complaints

The customer relationship management team has the resources to deal with customer complaints promptly and effectively, and no customer complaint is left unresolved. In the year under review the CRM division received 567 customer complaints of which 495 were resolved within three working days, while 72 cases were resolved over a longer period due to their greater complexity.

MONTHLY CUSTOMER COMPLAINTS FOR 2016/17



Doing More and Doing Better

We want to be sure that we have done all we can to guarantee customer retention and satisfaction. This is why we invest so much towards implementing customer associations and loyalty programs which add value to the friendly and productive dialogue we have with the thousands of customers we serve every day.

Customer Association Programmes



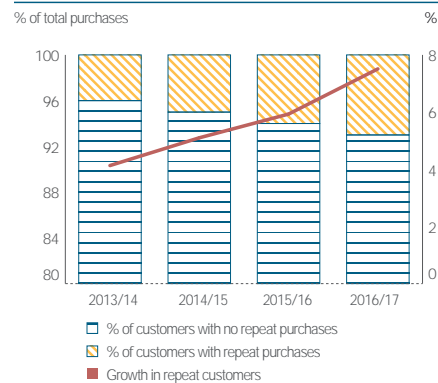
One of our latest initiatives: the re-designed '24*7 Road Side Assistance' has been very successful in ensuring excellence in customer care, increasing our customers' sense of security while generating a new stream of revenue.

Outcomes of the Capital Building Process

The weighted average Customer Satisfaction Index (CSI) is one of the key performance indicators that we use to measure the success of our efforts towards building brand equity. During the year under review we achieved an average CSI score of 90%, exceeding the sustainability performance objective of 85% of the average CSI (Refer page 39 for Sustainability Performance Objectives).

Repeat purchase is a major outcome of customer experience. We have observed a gradual increment in repeat purchases over the last five years, an indication of success in our continuing efforts to build customer capital. The graph below shows the percentage of repeat purchases customers out of the total customer base, excluding repeat purchases in the same year. The trend line indicates how repeat purchases have grown over the years.

REPEAT PURCHASES AND THE % GROWTH IN REPEAT PURCHASES



Weighted Average Customer Satisfaction by Segment

Business Segment	Weighted Average CSI (%)		
	2016/17	2015/16	2014/15
Vehicle - Sales	87	88	87
Vehicles - After Services	88	85	84
Marketing and Distribution	90	86	91
Construction and Material Handling Equipment	88	90	88
Electro Mechanical, Bio-medical and Marine Engineering	97	92	93

Relationship Capital - Business Partners

Key Performance Measures

Aspect	Measure	2016/17	2015/16	2014/15	2013/14	2012/13
Relationship with Business Partners	No. of Business Partners	94	95	77	77	81
	No. of relationships above 50 years	7	7	7	7	6
	No. of relationships between 25 to 50 years	9	9	9	8	10
	No. of relationships between 01 to 25 years	70	60	52	54	58
	No. of new Relationships Commenced during the year	8	19	9	8	7
Relationship with Local Suppliers	Payments to local suppliers (Rs.billion)	6.4	5.3	4.3	5.3	4.7

Overview

DIMO's business partnerships lie at the heart of our value creation process and therefore, we consider this a capital that requires careful management.

At the outset, when evaluating potential partnerships with new Business Partners we focus on portfolio of best-in-class products and global brands. During our 78 years of successful business, we have acquired

over 105 such internationally renowned brands into our pool of relationship capital. These brands complement each of our business domains, and deliver solutions that are technologically advanced and functionally sound. The value delivered by our local supplier network further enhances the inputs from our foreign business partners (Please see the Business Report on pages 84 to 93 for our segment-wise brand portfolio and key business partners).

Our current portfolio includes 94 principals, 51% of Asian origin and 37% from Europe. Of these, eight appear in the Fortune 500 list of 2016 - an indication of the superiority of our business partner profile.

The illustration below shows DIMO's global representation and the number of brands we represent through our worldwide business partner network.

Business Partner Profile



Management Approach

Collaborating with business partners and employees is part of our corporate strategy, as seen in the Strategy Illustration on page 32. The strong synergies we have created with our business partners, employees and intellectual capital deliver a very attractive value proposition to our customers.

The competencies and strengths we have gathered over the years provide an impetus to the best in class products and solutions supplied by our business partners.

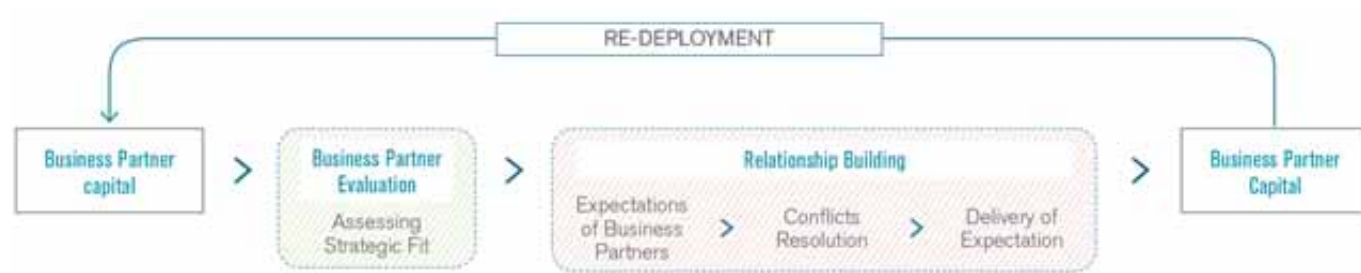
At DIMO, we strongly believe that shared values and a sense of trust for the foundation of any sustainable relationship and that well-founded mutually beneficial relationships result in an unbeatable competitive advantage. In playing our part in strengthening the relationships, we strive to deliver the expectations of our principals.

Any damage to our relationships with principals could negatively affect our business model. Our carefully constructed business partner capital building model thus ensures that we address

such risk by continually focusing on areas that are important for maintaining healthy relationships with our principals.

As a responsible company we partner with like-minded principals who are committed to corporate responsibility.

Business Partner Capital Building Model



Business Partner Evaluation and Strategic Fit

We seek partnerships with companies that offer world-class products that are technologically excellent.

It is important to us that our business partners share our core values. While profitability is always an important factor in any transaction, we believe that a congruence of business philosophies and a meeting of corporate minds makes the best business sense. In this spirit, our 'Supplier Code' sets out the characteristics required for a 'strategic fit' and our principals are required to adopt these values and integrate them in to their own supply chain. When we commence a partnership, we conduct an initial evaluation followed by annual evaluation to ensure that our principals are strategically aligned with us and will remain so over a long period of time.

We also encourage continuous dialogue with principals to reduce the incidence of issues left unresolved. It ensures the resolution of grievances without much delay thereby eliminating the risk of damage to the relationship.

An independent third party survey is also conducted once in every three years.

Key Aspects of Strategic Fit

Technologically Leading	Ethically Committed
We collaborate with technologically leading principals to empower the corporate strategy of differentiation. These partnerships make a positive impact on our brand reputation, identifying us as a company providing state-of-the-art solutions.	Our business partners share their views on responsible corporate behaviour manifested in commitment to environmental protection, respect for labour, promoting human rights, fostering equal opportunity, rejecting corruption and anti-competitive behaviour, and ensuring occupational safety at the workplace.



Relationship Building

Strong business relationships take time and energy. At DIMO, we strive to build trust by identifying our business partner expectations, delivering on these expectations, maintaining transparency and practicing conflict resolution. We set the ground rules for a good relationship at the start, by defining and agreeing on our principals' primary expectations. We then conduct an annual survey to measure how we have met these expectations, offering our principals the opportunity to communicate any dissatisfaction they may have. The Directors discuss and monitor the results of these surveys as a matter of priority and all grievances are addressed with urgency.

Outcome of the Capital Building Process

The longevity of our relationships with our principals is the best indication of the success of our business partner capital building model. Enduring bonds strengthen our existing partnerships and empower us when seeking new business associates.

TOP OF THE LINE

Relationship Capital - Business Partners

Longevity of Business Partner Relations

Relationships in Number of Years	2016/17	2015/16
Relationships more than 50 years	7	7
Relationships between 25 to 50 years	9	9
Relationships of between 1 to 25 years	70	60
New relationships	8	19
Total number of business partners	94	95

Local Suppliers

As with our foreign principals, we seek enduring, long-term relationships with our local business partners, all of whom are leaders in their respective fields. We make a special effort to ensure that our local suppliers maintain quality standards in line with our international brands – their adherence to the DIMO Supplier Code is therefore vital.

Sub-contractors are subject to periodic safety evaluations in order to ensure compliance with the required regulations and standards at their worksites.

As of 31st March 2017, 47 of 92 major local suppliers were committed to the DIMO supplier code. A total of Rs.6.4 billion was paid to local suppliers during 2016/17 for goods and services provided (This amount was Rs.5.3 billion in 2015/16).

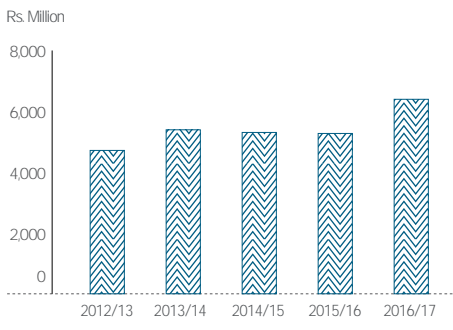
Outlook

Successful business partnerships remain at the heart of our success and in line with our strategy of differentiation, DIMO continues to seek value creating relationships through collaboration with our employees and business partners.

As a responsible corporate citizen we also seek to improve our local partner profile not only for the success of our business domains but also to contribute to the economic growth and development of our local communities.

The profile and longevity of our supplier relationships demonstrate that we possess the strong relationships required to make our collaboration strategy work. The processes and efforts we direct at nurturing these relationships and establishing new relationship give us the confidence that this capital will provide inputs in the required quality and quantity.

PAYMENTS TO LOCAL SUPPLIERS



Human Capital

Key Performance Measures

Aspect	Measure	2016/17	2015/16	2014/15	2013/14	2012/13
Employee attrition ratio	Employee turnover as a percentage of average employees (%)	13.82	17.5	17.10	17.20	21.81
Gender distribution	Female employees as a percentage of total employees	10	11	11	10	10
Age distribution	Percentage of employees below 40 years of age	78	78	81	79	79
Employee satisfaction	Employee Satisfaction Index (%)	64.56	62.04	62.38	61.10	53.46
Knowledge and skills development	Average training hours per employee	18.00	17.00	15.65	13.10	16.00

DIMO has an “Employee First” policy, we believe that an engaged and empowered employee will nurture our customers and other stakeholders and take ownership of our mission, ‘to create value responsibly’. Building human capital is thus key to building other forms of capital.

Overview

DIMO has 1,725 employees who together constitute our human capital. They work in the myriad value creating activities of our five business segments or in supporting services, as shown in the Value Creation Model on pages 30 to 31.

The input provided for value creation by Human Capital depends on employee quality, competence and level of engagement. Talent management is therefore focused on enhancing these attributes. 934 members of our tribe are qualified in engineering, accounting, and marketing or in a discipline relevant to their roles, at various levels, from certifications and professional qualifications to Masters Degrees.

DIMO believes that hands-on experience is as important as professional/educational qualification. 34% of our staff have now served at DIMO for over five years, and thereby possess a high level of competence and experience.

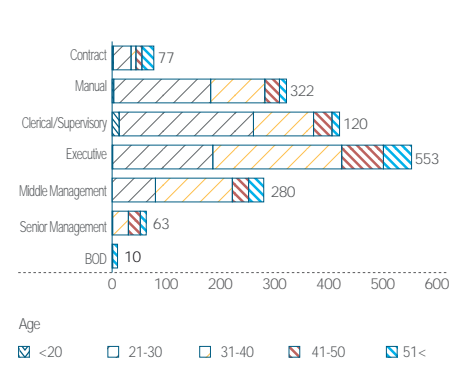
Inclusion and equality are important to us and our pool of human capital reflects our nation's diversity, including people from many communities and regions of Sri Lanka, representing both genders, multiple social backgrounds and age groups. We know that this diversity gives us a broader perspective and that every employee's individuality and creativity are essential for us to serve our equally diverse customers with real understanding and care.

The graphs below show our human capital pool classified by position within the organisational hierarchy, age, area of value creation activity and period of service.

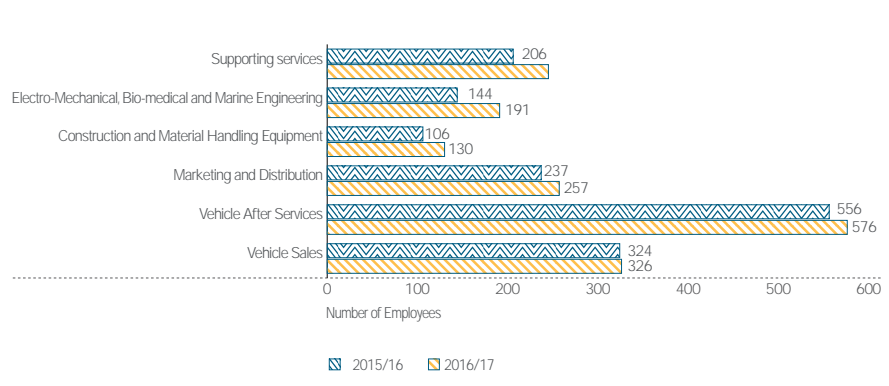
HUMAN CAPITAL POOL COMPOSITION BY NUMBER OF YEARS OF SERVICE YEARS



HUMAN CAPITAL POOL - CATEGORY AND AGE



NUMBER OF EMPLOYEES IN EACH BUSINESS SEGMENT



Management Approach

Our employees are critical to the success of our business activities and a key part of our collaboration strategy. The collaborative strength of employees and business partners combined with our intellectual capital creates a strong platform for competitive advantage and value creation.

DIMO has an “Employee First” policy, we believe that an engaged and empowered employee will

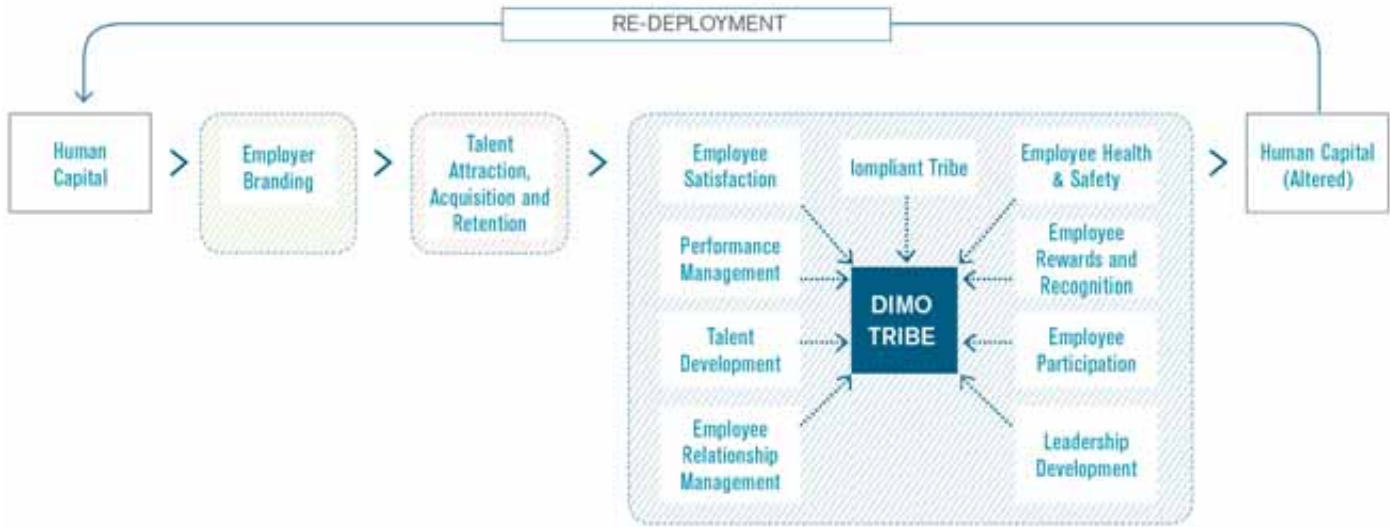
nurture our customers and other stakeholders and take ownership of our mission, ‘to create value responsibly’. Building human capital is thus key to building other forms of capital.

Our Employee Value Proposition (EVP) is ‘making work enjoyable and rewarding’. We strive to realise this by identifying and meeting our employees’ expectations in an ethical and transparent manner.

TOP OF THE LINE

Human Capital

Human Capital Building Model



The main purpose of human capital management is to create a workforce that can provide the necessary inputs to deliver the Company's strategic objectives. Failure to achieve this goal could result in significant risk to our value creation process. Therefore we focus on developing the qualities of competent and engaged workforce through a carefully constructed capital building model.

Employer Branding

Attracting and retaining the best talent is a key challenge in today's competitive business environment. As a conglomerate with over 78 years of business accomplishment, DIMO has been successful in building local and global recognition as a respected corporate citizen and employer of choice; 'the best of the best'.

Our Employee Value Proposition lies at the heart of our reputation as an exceptional employer. Internally, we strive to make every employee as a brand ambassador of the DIMO tribe.



Our Facebook page 'Careers at DIMO' now has over 227,000 'likes' and this has become an important platform for generating interest from prospective employees. DIMO is also a regular participant at career fairs and career guidance programme where we meet and interact with many young aspirants to the DIMO tribe.

DIMO is now listed in the 'Top 25 Great Places to Work in Sri Lanka' and we have been awarded for this for the fourth consecutive year by the Great Place to Work Institute.

Talent Attraction and Acquisition

DIMO's position as an employer of choice ensures that we will always be at the top of the list of great places to work. Still, we're not taking anything for granted and have created several programme to ensure that we continue to attract and keep the best talent in the field.

'D Flash' is a management trainee programme designed to groom and empower future young leaders, while the DIMO Automobile Training School (DATS) trains young people in the handling, maintenance and repair of automobiles, agricultural and construction equipment. Graduates are offered employment at DIMO although it is not obligatory.

DIMO also trains students from professional institutes, universities and vocational training institutes. Students are introduced to the 'DIMO way' and often join the Company at the end of their training.

Our presence at career fairs, university career guidance programmes and technical institutes also helps us in our quest to find and acquire future talent for the DIMO tribe.

Professionals Attracted

Profession	2016/17	2015/16
Engineer	206	95
Accountant	83	56
Marketer	81	76

DIMO believes in helping our staff progress upwards – employees are encouraged to apply for vacancies within the Company and those who possess the required qualifications are given preference when selecting candidates for these positions.

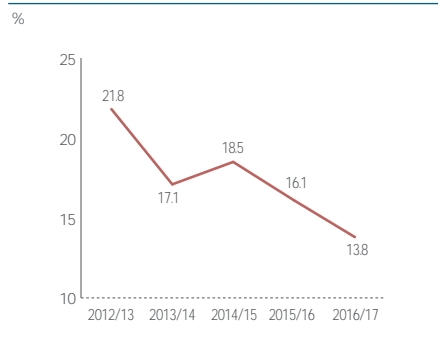
Talent Retention

Our high level of engagement with our employees is a powerful driver of talent retention but we also have several programmes designed to improve this area. These programmes focus on career path guidance and counselling, personal development advice and grievance handling.

Feedback acquired from exit interviews conducted with departing employees just before they leave also helps the Company to devise and improve its employee retention strategies.

Employee turnover is the best measure of success in employee retention. The diagram below illustrates how we have reduced the ratio of employee turnover over the years.

EMPLOYEE TURNOVER



DIMO places strong emphasis on talent and leadership development, for this is how we ensure our corporate longevity, identify our future leaders and plan succession.

Talent and Leadership Development

DIMO places strong emphasis on talent and leadership development, for this is how we ensure our corporate longevity, identify our future leaders and plan succession.

We have several training and development programmes in place.

The performance evaluation system is an on-line programme designed to identify and fill the training gaps of each employee. Career management and development is the responsibility of each supervisor, with support from the HR Division.

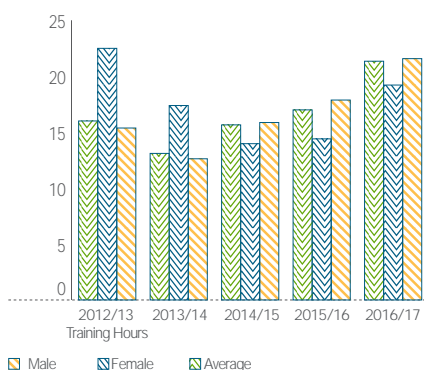
Employee training takes place locally and overseas and is conducted by internal or external resource persons and by our foreign principals. A supervisor helps with the follow-up evaluation which measures the effectiveness of the training.

In the year under review, employees received 36,818 (26,735 in 2015/16) training hours, through 346 programmes, including internal, external and foreign, all of which were funded by the Company (248 programmes were held in 2015/16).

Learning was further shared with other tribe members through 18 knowledge sharing sessions.

The graph below illustrates the average number of training hours per employee for four years.

PER EMPLOYEE TRAINING HOURS PER YEAR



'Lift Off' and 'Centurion's League'

These are DIMO's signature career development programmes.

'Lift Off' is designed to offer employees career path identification and counselling and involves the participation of employees who already have successful careers at DIMO. Employees learn to identify a specific career path, and how to set timelines against milestones and are advised on how to pursue their career goals.



'Centurion's League' focuses on young employees, offering specialised learning opportunities to help them develop into future corporate leaders.

Learning Management System (LMS)

A Learning Management System was launched in the year under review and DIMO staff participated in this interactive learning programme offering access to learning and information without the rigour and routines of conventional classroom training. Since it is a cloud based system, this programme can be accessed from anywhere by PC, smartphone or tablet device.

Other online training programme at DIMO focus on related subjects such as leadership

development, communication skills and customer service. Information technology software training, knowledge sharing forums, product information modules, a video gallery and an e-book library are also made accessible to all DIMO employees. Online assessment and certification are now possible using the new system and these web-based programmes and platforms are geared to provide an exciting learning experience for every user.



Employee Relationship Management (ERM)

Employee Relationship Management is a key process that links the organisation with everyone in the DIMO tribe. This important process involves two way communication between the management and members of our tribe and therefore needs to be managed with understanding and care. Grievance handling, transparency, clear communication and the management of employee expectations are key aspects of ERM at DIMO.

We enable our ERM processes through several channels.

Employees' Council

The council consists of representatives from all business units, heads of business units and the Group Management Committee. The council meets once a month to discuss employee concerns and ways in which we could improve our business through employee relationships. Minutes of these meetings are hosted on the Company intranet and can be accessed by all employees.

HR Clinics

Representatives of the HR Division frequently visit company sites with prior notice, to discuss and resolve employee grievances. These are one-on-one meetings but the Chief Human Resources Officer, who is also a member of the Group Management Committee, usually participates at these meetings. Furthermore, the Group Management Committee visited all DIMO branches this year to meet all employees and listen to their grievances, if any. While these visits covered the purpose for which HR clinics are held, three more HR Clinics were also held during the year. 15 HR Clinics were held during the last year.

TOP OF THE LINE

Human Capital

DIMO Net

DIMO Net is the Company intranet which gives our employees access to all our corporate publications including the DIMO promotional campaigns, vacancy advertising, minutes of the Employees' Council, an e-book library, e-newspapers, the DIMO Code of Ethics, Company policies and procedures, and news of other corporate events.

An Open Door Policy

DIMO has an open door policy where any grievance can be discussed directly with the Chairman or the Chief Executive Officer, without prior appointment.

DIMO also encourages and conducts several competitive and non-competitive events during the year, which are designed to enhance team spirit and employee relationships. These include quiz competitions, a photography competition, the DIMO Annual Sports Day, the 'Biggest Loser' competition, the Annual Children's Party, the Vesak lantern competition, children's art competitions and more.

Performance Management

The performance management system enables us to track and monitor the performance of individual employees by establishing measurements to align goals of the Company with individual employee's objectives. By doing so, we not only improve their operational efficiency but also enhance learning and development and employee engagement.

Performance evaluation is a key management tool in creating a high performing workforce. DIMO's performance management process is driven by an online performance appraisal system. Appraisals take place mid-year and at the year end, and include the measurement of the achievement of objectives, a competency review and an assessment of self-development.

Company policy recommends competitive remuneration. DIMO has engaged independent parties to conduct salary reviews against industry standards. Those reviews have revealed that DIMO wage levels are at competitive levels compared to others in the industry.

Employee Health and Safety

At DIMO, Health & Safety receives priority above all else. Our Occupational Health & Safety Policy sets out our responsibility to ensure a safe workplace for all our employees, external contractors and visitors.

First Aid training is provided to a representative of every business unit.

Our quality management system also requires that in the event of any injury, immediate action must be taken to prevent and correct similar incidents. All incidents and injuries are immediately reported to the HR division.

The table below gives more details of our track record on health and safety at work.

Health and Safety Statistics

Injuries/Diseases/Fatalities/ Lost day /Absenteeism	2016-17		2015/16		2014/15	
	Total No.	Rate (%)	Total No.	Rate (%)	Total No.	Rate (%)
Injuries	17	0.00052	21	0.00062	24	1.09
Occupational Disease	Nil	Nil	Nil	Nil	Nil	Nil
Lost Working Days	68	0.0021	92	0.0027	138.5	-
Work Related Fatalities	Nil	Nil	Nil	Nil	Nil	Nil

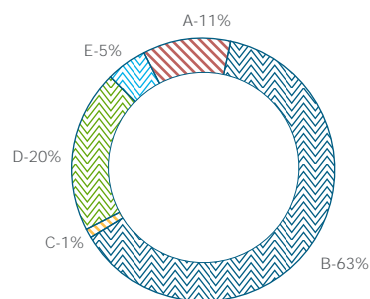
Our employee absenteeism ratio is 0.68% during the period under review (0.12% in 2015-16).

Special Rewards and Recognition

We acknowledge employees who go the extra mile and directly contribute towards value creation. A set of criteria must be met and employees are then nominated by the head of their business unit. Selected employees are rewarded at the monthly meetings of the Employee Council.

The greatest honour that can be bestowed upon an employee is the 'Employee of the Year' award. This annual award is presented on 'Champions Night and Talent Show'. Awards are also given to recognise best performance in sales, technical and support services. One of the winners in these three categories is selected as the 'Employee of the Year' and wins a Tata Nano vehicle. The Group Management Committee selects the winners based on a set of pre-determined criteria.

REWARDS AND RECOGNITION



- A - Monthly rewards
- B - Nights of the champions
- C - Employee of the year
- D - 25 Years of service
- E - Retired employees



A Dynamic Tribe

The DIMO values are set out on page 05 together with a short description of what each one means. These values demand that DIMO employees shall be responsible, righteous, responsive, reliable, respectful and resilient.

DIMO also has a HR Policy, a Code of Business Ethics, a Human Rights Policy and a Whistle Blowing Policy. These set the standards and guide us in maintaining the above values and taking the ethical approach demanded by good governance. The HR Policy and the Code of Business Ethics deal with discrimination, child labour or forced labour, the maintenance of a safe work place, conformance with laws and regulations, fair treatment, non-harassment and environmental responsibility. The Company is a signatory to the UN Global Compact which endorses ethical and responsible corporate practises.

Employees and Innovation

'Idea Man' is a programme that encourages members of the DIMO tribe to come up with innovative ideas for progress and improvement. These concepts are communicated directly to the Chairman and all submissions are later reviewed by the Group Management Committee. Employees who originate a useful and practical idea are then rewarded.

'Intra'preneurs Club' is a group of employees who have volunteered to help encourage our tribe members to think like entrepreneurs and participate in 'Idea Man'. The club further assesses ideas sent to Idea Man, obtains expert advice on financial evaluation of projects and helps employees to implement their innovative ideas. This is how DIMO strives to discover and set free the innovators in our tribe, fostering a sense of ownership and encouraging our staff members to suggest improvements to the business processes of the organisation.

Outcome of the Employee Capital Building Process

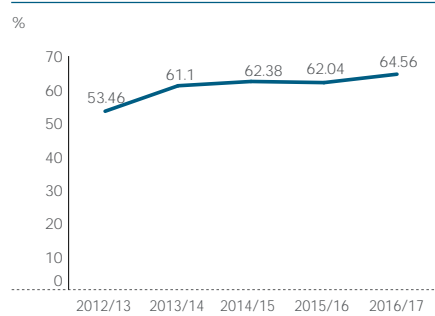
We know that a satisfied employee contributes more to our value creation process. Securing the satisfaction of employees is therefore an area that our talent management efforts focus on. The 'Employee Satisfaction Index' is one of the measures that indicates the success of our talent management efforts.

An employee satisfaction survey is conducted every year. Respondents remain anonymous while execution and data tabulation of the survey is carried out by an independent party. During the

'Idea Man' is a programme that encourages members of the DIMO tribe to come up with innovative ideas for progress and improvement. These concepts are communicated directly to the Chairman and all submissions are later reviewed by the Group Management Committee. Employees who originate a useful and practical idea are then rewarded.

year under review this survey achieved a response rate of 88.64% (68.4% in 2015/16) and the overall satisfaction index achieved was 64.56% (62.04% in 2015/16).

EMPLOYEE SATISFACTION INDEX



"Compliance +" is a certificate awarded to DIMO for surpassing human resource practices set by Employers' Federation of Ceylon. This certificate is supported by International Organisation of Employers (IOE) and the International Labour Organisation, Geneva. The certification process assesses an organisation's performance along criteria related to equal opportunity in employment, employer-employee relations, work arrangement practices and environment. Receiving the award demonstrates that DIMO goes beyond basic labour regulations to maintain a high standard in relation to its employment practices.

DIMO has frequently been awarded for our human resource practices and achievements, testimony to the effectiveness of our efforts to build strong human capital. We won the Silver Award at the Human Resource Awards 2016 and are among the top 10 companies in Sri Lanka that are recognised for achievements in this area.

The Human Resource Awards are held every alternate year and this event is organised by the Association of Human Resource Professionals (HRP).

Outlook

Human capital remains at the top of DIMO's management agenda and we have created and launched several strategies and programme designed to improve the quality and engagement of our human capital.

DIMO continues to adopt best practices in our human capital building process and today, we firmly believe that our human capital is ready to achieve our short, medium and long term goals.

Intellectual Capital

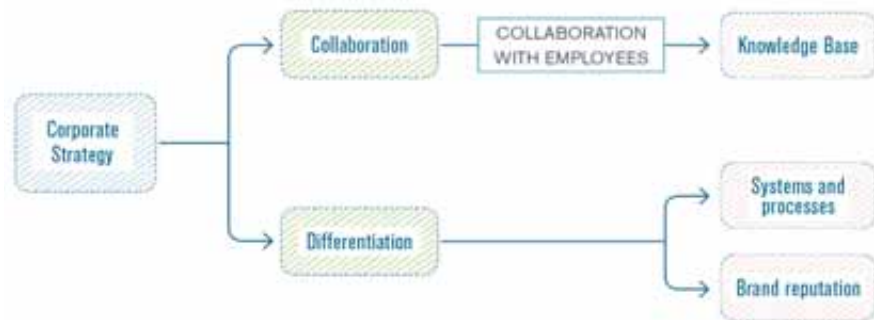
Overview

At DIMO we build our intellectual capital through the multiple synergies of our value creation process, which are manifested in three intangible assets; Organisational-knowledge based intangibles or expertise, process capital or the systems and processes that are unique to us and brand reputation - the name, logo and perceptions that identify our company in the public eye.

Value creation and intellectual capital are inter-dependent and these three elements of intellectual capital play a significant role in the Company's value creation activities.

The three intangible assets described above do not appear in the Financial Statements as they are not monetised.

The diagram below describes how our strategy of collaboration and differentiation facilitates the growth of intellectual capital through knowledge, systems and processes and brand reputation



At DIMO we build our intellectual capital through the multiple synergies of our value creation process, which are manifested in three intangible assets; Organisational-knowledge based intangibles or expertise, process capital or the systems and processes that are unique to us and brand reputation - the name, logo and perceptions that identify our company in the public eye.



Management Approach

As noted previously, corporate strategy at DIMO involves collaboration and differentiation, which are primary facilitators in adding value to intellectual capital. Monetised, human, relationship capital also provide inputs in building our intellectual capital pool and these capitals are also carefully nurtured.

Similarly, we take care in developing the value chains of each business segment, in pursuit of our differentiation strategy. These value chains have embedded systems and processes, which enhance further areas of our intellectual capital and increase the delivery of value to our customers.

Knowledge Base

DIMO has been in business for over 78 years and in that time we have collaborated with our employees to create the immense pool of expertise and experience we own today; a key factor in the strength of our intellectual capital.

Over 34% of our employees have worked at DIMO for over five years and today, they own a vast store of tacit, accumulated knowledge, including highly specialised expertise in business domain, capital management, risk management and impact management at DIMO.



Yet we are aware that knowledge is only as powerful as how it is actually used and manifested in the work we do. Therefore, we strive to document and share information in multiple ways in order to best exploit and utilise this most important resource, through knowledge sharing sessions, e-library, extensive training and human capital management tools.

18 "Know House" knowledge sharing sessions were held in the year under review

At DIMO we favour a friendly working environment over formal systems and this ambience shapes our employees' interactions with customers, colleagues and other stakeholders. Such interactions also help to encourage the practical use and sharing of knowledge.

Systems and Processes

DIMO's differentiation strategy is implemented through the systems and processes that we have designed and used over many years and today they play a vital role in our value creation process. We are aware of the need to keep our systems and processes flexible and resourceful so that we can continue to compete in a globalised and fast-changing business environment.

Our value creation model identifies eight activities which drive value creation in each business segment we operate: sourcing, warehousing, customer engagement, solution mapping, engineering, delivery, aftercare and support services. The systems and processes we use to create value through each business segment and the basis on which we allocate capitals for such activities are the same systems and processes that form part of our intellectual capital. This capital is redeployed to the value creation model as intellectual capital, to enhance the value

created (Refer pages 84, 86, 88 and 90 of the Business Report for the value chains of each business segment).

Brand Reputation

DIMO strives to uphold our mission to 'Create Value Responsibly' in all we do, constantly working to align our brand promise with the DIMO values (Refer page 05 for DIMO values).

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

Customer capital and how we work to develop such capital also have a vital role in developing brand reputation. How we create customer perceptions about DIMO, our responsibility for the products and services we offer and our customer care ethic, all play a part in the development of our brand reputation (Refer pages 68 to 71 for the Customer Capital report).

Another key factor in building and maintaining our brand reputation derives from our impact management process, through which we manage material stakeholder concerns and ensure that from the perspective of our stakeholders, we continue to be a responsible corporate citizen.

Outlook

A drive for innovation is an attribute that is promoted in the improvement of our intellectual capital pool. To this end, DIMO has made significant investments to encourage creative thinking and innovative ideas in our employees, enriching our value creation processes and thus, the value of our intellectual capital pool.

Intellectual capital will continue to be an important factor in our value creation process. We believe that our collaboration and differentiation strategy has been successfully designed and developed to ensure the continuous improvement of our intellectual capital pool whereas the risk management process continue to deal with any possible risks associated with intellectual capital.

Accolades

The awards and recognition we have received bear testimony to our commitment to quality and excellence, the strength of our knowledge base and the quality of our systems and processes.

July' 16

CMA Excellence in Integrated Reporting Awards 2016

- Gold Award in Overall Category
- Gold Award in Most Concise Annual Report Category
- Ten Best Integrated Annual Reports

Awarded by the Institute of Certified Management Accountants of Sri Lanka

July' 16

Great Place to Work Awards 2016

- Top 25 Companies to Work for in Sri Lanka 2016
- Excellence in Talent Acquisition
- Best Public Limited Company

Awarded by the Great Place to Work Institute

August' 16

7th Asia's Best Employer Brand Award 2016

- Award for Excellence in Leadership Development
- Award for Innovation in Recruitment
- Asia's Best Employer Brand

Awarded by the World HRD Congress

November' 16

Best Corporate Citizens 2016

- Top Ten Best Corporate Citizens for 2016
- Recognition for the Commitment beyond the bottom line (The Project "Team Shark"- Formula Students)

Awarded by the Ceylon Chamber of Commerce

December' 16

Annual Report Awards 2016

- Silver Award for Overall Excellence in Annual Financial Reporting
- Gold Award for Diversified Holdings (Group companies upto ten subsidiaries)
- Gold Award for Integrated Reporting
- Gold Award for Best Business Model
- Silver Award in Management Commentary Category

Awarded by the Institute of Chartered Accountants of Sri Lanka

December' 16

Winner of the Mercedes-Benz Service Excellence Award 2016 for South East Asia

Awarded by Daimler South East Asia

January' 17

SAFA Best Presented Annual Report Awards 2015

- Winner of Integrated Reporting Category in South Asia

Awarded by the South Asian Federation of Accountants

February' 17

ACCA Sustainability Reporting Awards 2016

- Overall Runner-up category
- Winner in the Retail and Trading Category

Awarded by the Association of Chartered Certified Accountants

March' 17

Sri Lanka Human Capital Management Awards 2016

- Silver Award for the best Human Capital Management

Awarded by the Association of HR Professionals

March' 17

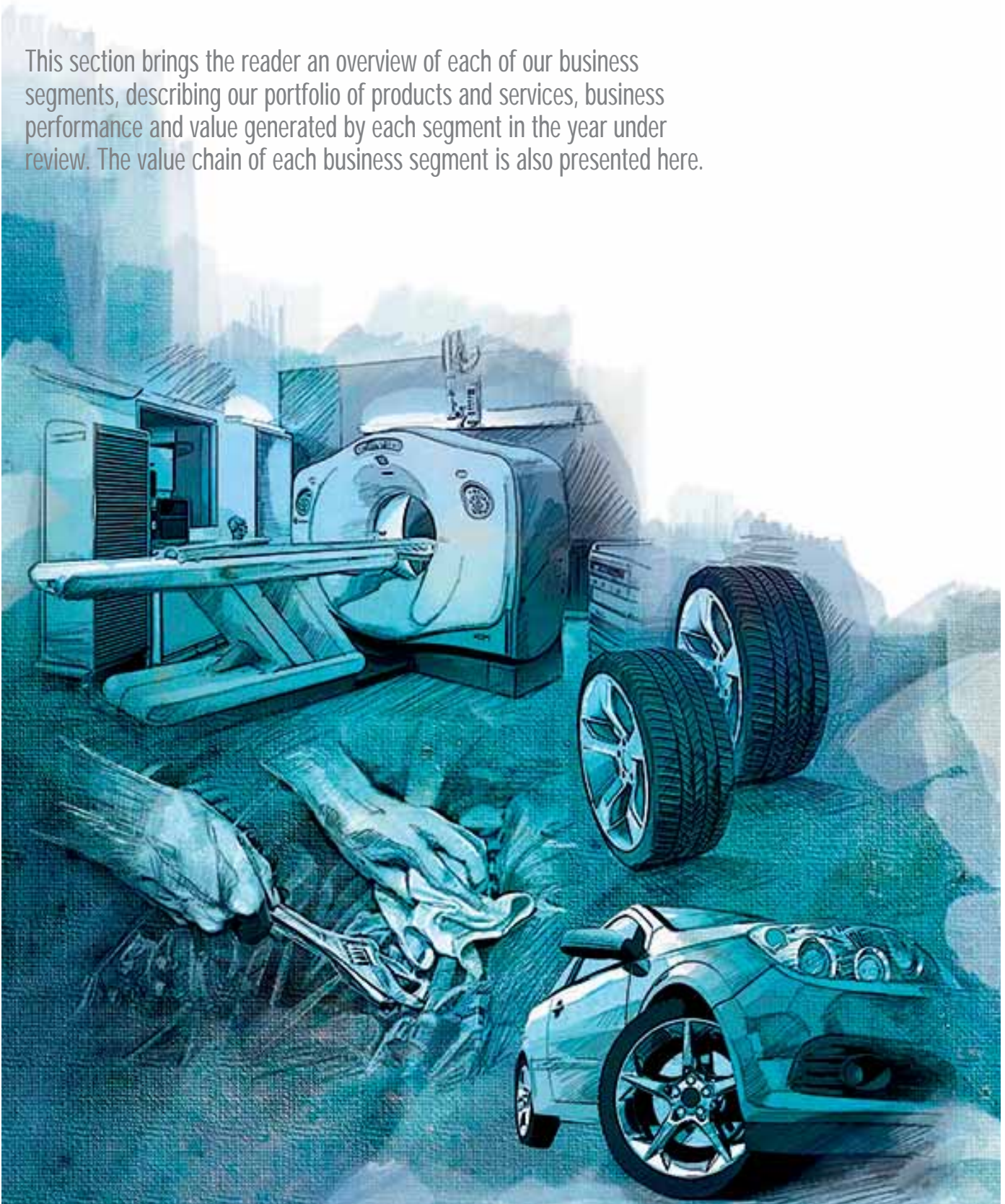
Annual Distributors Awards 2017

- Highest Sales Pickups 2016 - Category A - Winner
- Highest Sales 2016 - Ultra Trucks - Winner
- Highest Growth in Market Share 2016 - SCV - Winner
- Distributor of the Year 2016 - Network Development - Winner
- Special Achievement in CSR 2016 - Winner
- Best New Customer Care Facility 2016 - Winner

Awarded by TATA Motors Limited

The Business Report

This section brings the reader an overview of each of our business segments, describing our portfolio of products and services, business performance and value generated by each segment in the year under review. The value chain of each business segment is also presented here.



Economic Environment

Stakeholder	Engagement Method	Frequency
GDP growth rate	A higher GDP growth rate improves business sentiment, while positively impacting the performance of the Group as DIMO's product portfolio comprises a large offering of capital equipment	Gross Domestic Product (GDP), grew by 4.4% in 2016 compared to a growth rate of 4.8% in 2015 According to the Central Bank, of Sri Lanka the Sri Lankan economy is projected to grow at a moderate rate of around 5.0 per cent in 2017
Interest rates	Interest rates impact on DIMO in two ways. Lower borrowings cost can act as a catalyst to fuel demand for motor vehicles and other capital equipment that we sell. Secondly it has a direct bearing on the Group's cost of funding	The Average Weighted Prime Lending Rate (AWPR), increased from 9.19% at the commencement of the year to 11.79% as at 31st March 2017
Inflation rate	By boosting households' "disposable income" lower inflation will encourage higher spending, and raise the headline growth rate higher than it otherwise would have been Low inflation may also mean it is less likely that the Central Bank will raise its policy rates	The overall rate of inflation as measured by the National Consumer Price Index (NCPI) on a year on year basis was 8.6% as at the end of March 2017 (2.2% in 2016) and the Annual Average inflation rate was 5.6% (2.4% in 2016)
Depreciation of the LKR	The depreciation of the Rupee against the USD and Euro has a material impact on Group transactions denominated in these currencies	The Rupee depreciated against the US Dollar to Rs.151.99 as at 31st March 2017 compared to Rs.144.69 in the previous year. However the Euro was Rs.162.36 as at 31st March 2017 compared to 163.95 in the previous year
New Motor vehicle registrations	The number of new motor vehicles registered is an indicator of the market size for Motor vehicles	Vehicle registrations decreased by 22.2% to 493,328 vehicles from 668,907 vehicles in the previous year
Transportation Sector Growth	Growth in transportation sector has a direct impact on the Vehicle business	In 2016 the transportation sector grew by 4.1% compared to 5.0% in 2015
Construction Sector Growth	The growth in this sector is an indicator of the of the market potential for Construction & Material Handling and Building Technologies businesses	The growth of the construction sector rebounded during 2016 recording a substantial growth of 14.9% recovering from 2.7% contraction recorded in 2015
Health Sector	The Government and the private sector are customers of the Bio-Medical Engineering business. Capital expenditure of the Government in the health sector and the number of private sector hospitals are key indicators of growth for the Bio-Medical engineering business	Health sector capital expenditure decreased from Rs.37.2 billion in 2015 to Rs.30.7 billion in 2016. The number of Private Hospitals in 2016 was 225
Industrial Sector Growth	The industrial sector is a key target segment for DIMO	The industrial sector recorded a growth of 6.7% in 2016 compared to 2.1% in 2015
Water and Energy	Government investment in water and energy has an impact on the fortunes of the Power Engineering and Fluid Management businesses	Capital expenditure by National Water Supply and Drainage Board was Rs.32.7 billion in 2016 which is an 18.9% increase from the previous year's of Rs.27.5 billion Total Electricity Generation in 2016 increased by 8.1% to 14,149 GWh, from 13,090 GWh in 2015

TOP OF THE LINE

The Business Report Vehicles - Sales



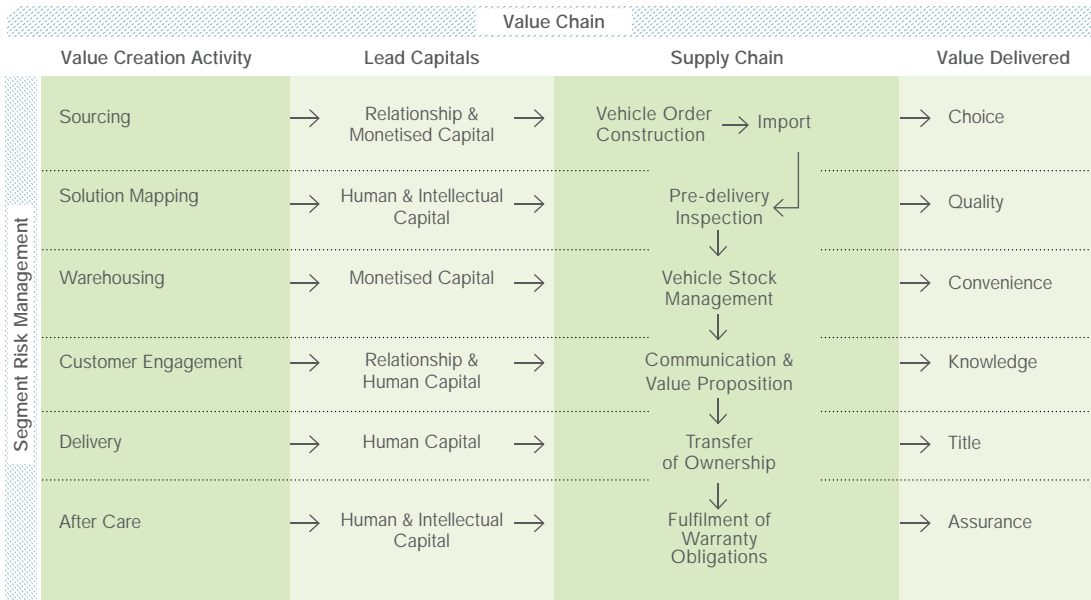
Segment Overview

Vehicle Sales is a core business segment for DIMO, offering best in class vehicles to the Sri Lankan market. The segment comprises of an automobile portfolio that includes brand new passenger vehicles, four wheel drive vehicles, commercial vehicles, special purpose vehicles, pre-owned vehicles and agri machinery. The diversity of

the portfolio is one of key differentiators for DIMO within the country's automobile industry.

We build relationships with best in class vehicle manufacturers to import a range of passenger and commercial vehicles to the Sri Lankan automobile market. We fill the gap between Sri Lankan automobile

requirements and the international brands we represent through a carefully built value chain. As depicted below, the value chain adds value to our customers at each level. The value created by the vehicle sales segment is further enhanced by our focussed customer care and reliable and convenient after sales services.



Capitals Invested

Presented below are some highlights of capitals available to the Vehicle Sales Segment for value creation, as at 31st March 2017 or during the year.

<p>Relationship Capital Brand Portfolio</p> <p>Key Principals</p> <table border="0"> <tr> <td>Daimler AG</td> <td>78 Years</td> </tr> <tr> <td>TATA Motors Ltd</td> <td>56 Years</td> </tr> <tr> <td>Mahindra & Mahindra Ltd</td> <td>27 Years</td> </tr> <tr> <td>Claas Agricultural Machinery Pvt Ltd</td> <td>14 Years</td> </tr> <tr> <td>FCA International Operations LLC</td> <td>13 Years</td> </tr> </table> <p>Customer Profile</p> <p>Individual customers represent 75% of the segment's customers, from high, middle and lower income levels. (For more details refer report on Relationship Capital – Customers and Relationship Capital – Business Partner from page 68 to 74)</p>	Daimler AG	78 Years	TATA Motors Ltd	56 Years	Mahindra & Mahindra Ltd	27 Years	Claas Agricultural Machinery Pvt Ltd	14 Years	FCA International Operations LLC	13 Years	<p>Human Capital NUMBER OF EMPLOYEES DIRECTLY INVOLVED IN THE BUSINESS</p> <p>A - Technical Service Staff B - Frontend Sales Staff C - Supporting Administration Staff D - Professionals in Sales and Administration E - Leading Personals</p>	<p>Number of Employees 2016/17 – 358 2015/16 – 324</p> <p>Monetised Capital Monetised value shared with employees 2016/17 - Rs.633 million (2015/16 - Rs.557 million)</p> <p>Value incurred in interacting and building relationships with foreign principals 2016/17 - Rs.12 million (2015/16 - Rs.10 million)</p> <p>Value incurred in managing relationships with customers and retaining them 2016/17 - Rs.169 million (2015/16 - Rs.109 million)</p> <p>Direct Investment of Monetised Capital 2016/17 - Rs.7,291 million 2015/16 - Rs.6,281 million</p>
Daimler AG	78 Years											
TATA Motors Ltd	56 Years											
Mahindra & Mahindra Ltd	27 Years											
Claas Agricultural Machinery Pvt Ltd	14 Years											
FCA International Operations LLC	13 Years											

Segment Performance

Financial results of the segment, its contribution to the Group's results and how the value creation management of the segment has contributed to corporate strategic objectives are presented below.

Segment Turnover

Rs. million
 2016/17 – 31,410
 2015/16 – 27,283

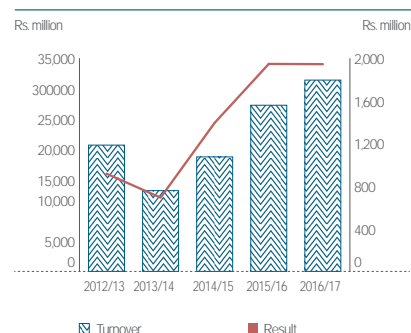
% Contribution to Group Turnover

2016/17 – 71
 2015/16 – 72

Segment Results

Rs. million
 2016/17 – 1,944
 2015/16 – 1,946

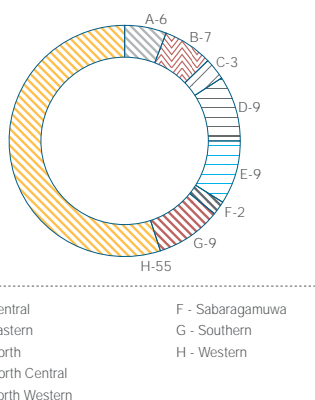
SEGMENT TURNOVER AND SEGMENT RESULTS



Geographical Revenue Generation

Vehicle Sales segment made the highest turnover in geographical areas outside the Western Province, which indicates a higher participation in economic activity outside the most populated provinces, thereby contributing to community development.

GEOGRAPHICAL DISTRIBUTION OF REVENUE GENERATION (%)



Energy Consumption

Total units of energy consumption in GJ' 000 during the year and the energy consumed in GJ' 000 for every Rs. one million turnover the segment made.

Year	Energy Consumption (GJ' 000)	Energy Consumed (GJ' 000) to generate Rs. one million turnover
2014/15	28,470	1.51
2015/16	24,065	0.88
2016/17	25,572	0.81

Water Consumption

Water consumption in M³ during the year and water consumed in M³ for every Rs. one million turnover the segment made.

Year	Water Consumption (M ³)	Water Consumed (M ³) to generate Rs. one million turnover
2014/15	14,685	0.78
2015/16	19,543	0.72
2016/17	22,711	0.72

Stakeholder Satisfaction

During the year the segment achieved a Customer Satisfaction Index (CSI) above the sustainability performance objective of 85%. Below presented is the segment CSI over a 5 year period

Year	CSI (%)
2012/13	91
2013/14	90

CSI contd.

Year	CSI (%)
2014/15	87
2015/16	88
2016/17	87

Employee Satisfaction Index of the segment was 72%, which exceed the sustainability performance objective of 60%

Carbon Footprint

Carbon footprint in (tCO₂e) during the year and the carbon footprint generated for every one million turnover the segment made

Year	Carbon footprint in (tCO ₂ e)	Carbon footprint (tCO ₂ e) to generate Rs. one million turnover
2014/15	2,289	0.12
2015/16	2,486	0.09
2016/17	2,746	0.09

Segment Risk Management

Risks specific to the Vehicles-Sales segment are managed at the segment level. Risk register maintained at each business unit feeds the risk status of each business to the business unit managers. Risks that are filtered from the business unit manager level are communicated to the GMC for further attention.

All significant risks which were filtered from the assessment process are reported in the Enterprise Risk Management Report from page 56 to 61. Out of them, risks denoted by the following numbers in the Risk Management Report (page 58 to 61) are specific to the Vehicle Sales business segment.



Segment Outlook

Upward trend in interest rates, LTV ratio (Loan to Value ratio) for passenger and small commercial vehicles - 50% and other commercial vehicles - 90%, and prevailing high tariff on vehicles may impact on the demand for commercial vehicles and passenger cars in the short term. However this has given us an opportunity to invest more resources in heavy commercial vehicles where we see a growth in demand.

TOP OF THE LINE

The Business Report Vehicles - After Services



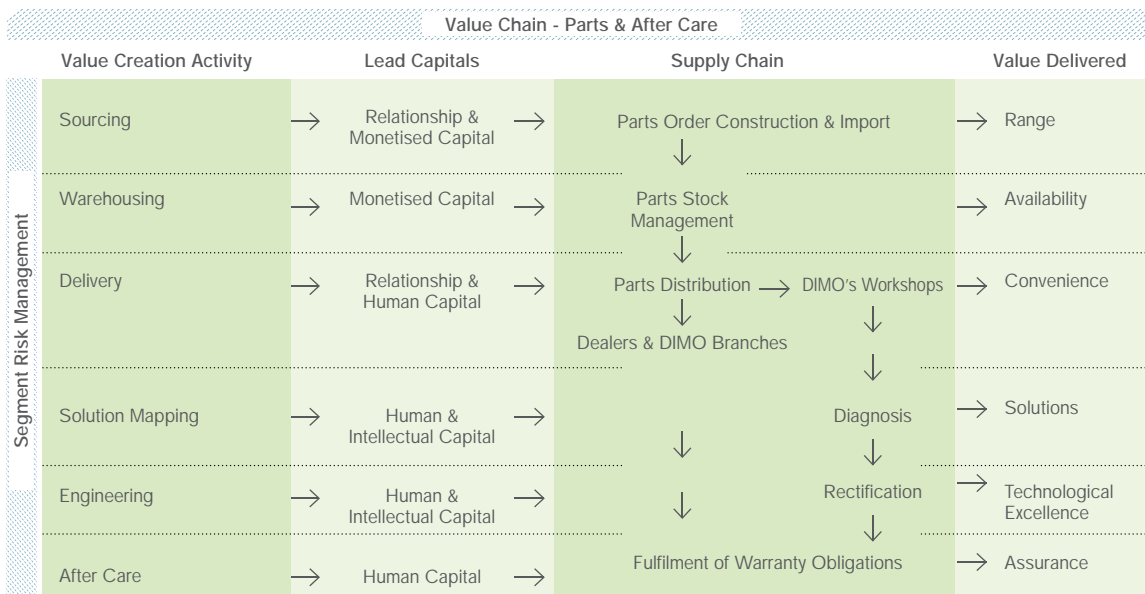
Segment Overview

The segment is involved in the business of providing franchise spare parts and services for the aftercare markets of passenger vehicles, commercial vehicles and agri machinery. The parts business includes a range of spare parts for the vehicles for which we hold the franchise in Sri Lanka. In addition to parts, service revenues from our workshops including the state-of-the-art Mercedes Benz Centre and the LEED Gold certified BOSCH Diesel

Centre and Car Service Centre are also included in the vehicles – after services segment.

We fill the gaps in the spare parts requirements of international brands we represent through a carefully designed and executed value chain designed to add value to our customers at each level, as depicted above. The spare parts are made available to our customers through our branches and island-wide distributor network.

Our workshops provide aftercare using state-of-the-art technology, equipment and tools. The trained and skilled workforce, original spare parts, advanced diagnostic equipment, tools, and on-line connectivity to manufacturers' guides provide an attractive value proposition to our customers who seek reliable after care services.



Capitals Invested

Presented below are some highlights of capitals available to the Vehicles - After Service Segment for value creation, as at 31st March 2017 or during the year.

<p>Relationship Capital Brand Portfolio</p> <p>Key Principals</p> <table border="0"> <tr> <td>Daimler AG</td> <td>78 Years</td> </tr> <tr> <td>TATA Motors Ltd</td> <td>56 Years</td> </tr> <tr> <td>Mahindra & Mahindra Ltd</td> <td>27 Years</td> </tr> <tr> <td>Claas Agricultural Machinery Pvt Ltd</td> <td>14 Years</td> </tr> <tr> <td>FCA International Operations LLC</td> <td>13 Years</td> </tr> </table> <p>Customer Profile</p> <p>65% of the customers consist of individual customers. 35% represent private and government organisations. (For more details refer report on Relationship Capital – Customers and Relationship Capital – Business Partner from page 68 to 74)</p>	Daimler AG	78 Years	TATA Motors Ltd	56 Years	Mahindra & Mahindra Ltd	27 Years	Claas Agricultural Machinery Pvt Ltd	14 Years	FCA International Operations LLC	13 Years	<p>Human Capital NUMBER OF EMPLOYEES DIRECTLY INVOLVED IN THE BUSINESS</p> <p>A - Technical Service Staff B - Frontend Sales Staff C - Supporting Administration Staff D - Professionals in Sales and Administration E - Leading Personals</p>	<p>Number of Employees 2016/17 – 637 2015/16 – 556</p> <p>Monetised Capital Monetised value shared with employees 2016/17 - Rs.731 million (2015/16 – Rs.643 million)</p> <p>Value incurred in interacting and building relationships with foreign principals 2016/17 - Rs.2 million (2015/16 – Rs.2 million)</p> <p>Value incurred in managing relationships with customers and retaining them 2016/17 – Rs.34 million (2015/16 – Rs.23 million)</p> <p>Direct Investment of Monetised Capital 2016/17 - Rs.1,871 million 2015/16 – Rs.1,654 million</p>
Daimler AG	78 Years											
TATA Motors Ltd	56 Years											
Mahindra & Mahindra Ltd	27 Years											
Claas Agricultural Machinery Pvt Ltd	14 Years											
FCA International Operations LLC	13 Years											

Segment Performance

Financial results of the segment, its contribution to the Group's results and how the value creation management of the segment has contributed to corporate strategic objectives are presented below.

Segment Turnover

Rs. million
 2016/17 – 3,467
 2015/16 – 2,879

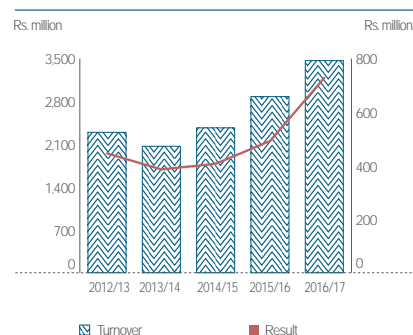
% Contribution to Group Turnover

2016/17 - 8
 2015/16 - 8

Segment Results

Rs. million
 2016/17 – 728
 2015/16 – 492

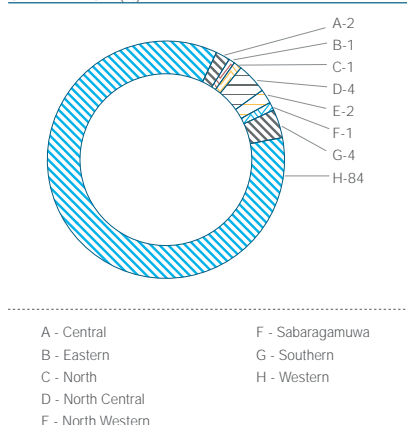
SEGMENT TURNOVER AND SEGMENT RESULTS



Geographical Revenue Generation

Aftercare service segment made the second highest turnover in geographical areas outside the Western Province, which indicates a higher participation in economic activity outside the most populated provinces, thereby contributing to community development.

GEOGRAPHICAL DISTRIBUTION OF REVENUE GENERATION (%)



Energy Consumption

Total units of energy consumption in GJ' 000 during the year and the energy consumed in GJ' 000 for every Rs. one million turnover the segment made.

Year	Energy Consumption (GJ' 000)	Energy Consumed (GJ' 000) to generate Rs. one million turnover
2014/15	16,007	6.76
2015/16	14,745	5.12
2016/17	18,509	5.34

Water Consumption

Water consumption in M³ during the year and water consumed in M³ for every Rs. one million turnover the segment made.

Year	Water Consumption (M ³)	Water Consumed (M ³) to generate Rs. one million turnover
2014/15	30,220	12.76
2015/16	35,167	12.21
2016/17	43,909	12.66

Stakeholder Satisfaction

During the year the segment achieved a Customer Satisfaction Index (CSI) above the sustainability performance objective of 85%. Below presented is the segment CSI over a 5 year period

Year	CSI (%)
2012/13	77
2013/14	85

CSI contd.

Year	CSI (%)
2014/15	84
2015/16	85
2016/17	88

Employee Satisfaction Index of the segment was 66%, which exceed the sustainability performance objective of 60%

Carbon Footprint

Carbon footprint in (tCO₂e) during the year and the carbon footprint generated for every one million turnover the segment made.

Year	Carbon footprint in (tCO ₂ e)	Carbon footprint (tCO ₂ e) to generate Rs. one million turnover
2014/15	1,501	0.63
2015/16	1,599	0.56
2016/17	2,158	0.62

Segment Risk Management

Risks specific to the Vehicles-After Services segment are managed at the segment level. Risk register maintained at each business unit feeds the risk status of each business to the business unit managers. Risks that are filtered from the business unit manager level are communicated to the GMC for further attention.

All significant risks which were filtered from the assessment process are reported in the Enterprise Risk Management Report from page 56 to 61 Out of them risks denoted by the following numbers in the Risk Management Report (page 58 to 61) are specific to the Aftercare Service business segment.

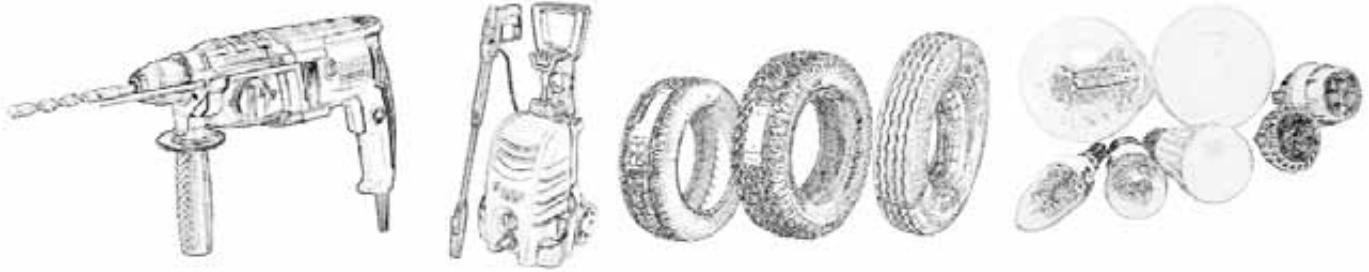


Segment Outlook

Investment made in capacity building will continue to fuel the growth of the segment. Adequate training to improve employee technical skills and continuous investments in technology will keep the Aftercare Service segment differentiated from other market participants.

TOP OF THE LINE

The Business Report
Marketing and Distribution

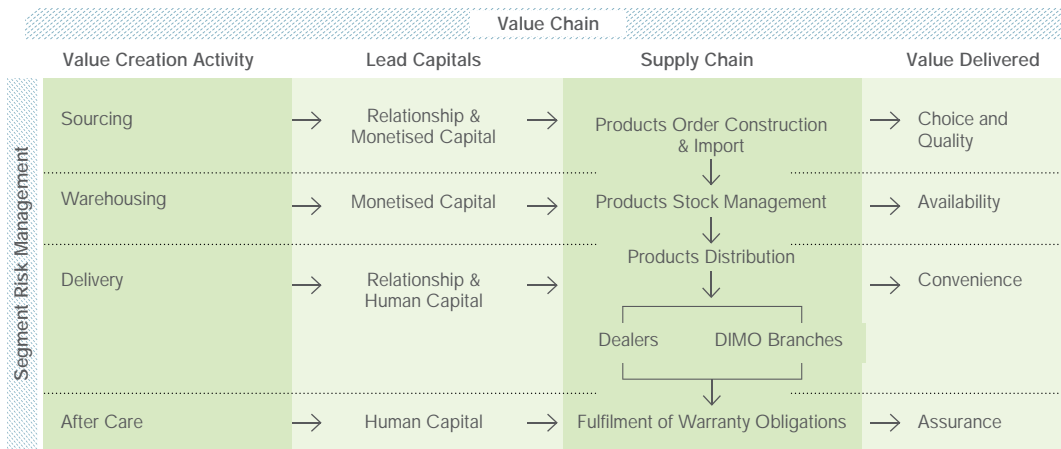


Segment Overview

The segment operates in a broader industry and caters to a wide range of products and equipment. They include the sale of non-franchise vehicle spare parts, accessories, components, tyres, power tools, lamps and lighting fittings.

The segment employs a comprehensive dealer network to reach the entire nation. The range of world class brands represented by the segment enables it to offer products of technological excellence. The carefully developed cost

conscious value chain allows the customer to enjoy a unique value proposition.



Capitals Invested

Presented below are some highlights of capitals available to the Marketing and Distribution Segment for value creation, as at 31st March 2017 or during the year.

Relationship Capital

Brand Portfolio



Key Principals

Robert Bosch GmbH	- 63 Years	Siemens	- 57 Years
Bosch Ltd	- 48 Years	Michelin	- 24 Years
Osram GmbH	- 23 Years	Rane Brake Lining Ltd	- 23 Years
MRF	- 16 Years	Bosch Automotive Systems Corporation	- 33 Years

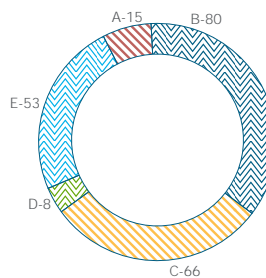
Customer Profile

85% of the customers consist of dealers.

(For more details refer report on Relationship Capital – Customers and Relationship Capital – Business Partner from page 68 to 74)

Human Capital

NUMBER OF EMPLOYEES DIRECTLY INVOLVED IN THE BUSINESS



- A - Technical Service Staff
- B - Frontend Sales Staff
- C - Supporting Administration Staff
- D - Professionals in Sales and Administration
- E - Leading Personals

Number of Employees
2016/17 – 222
2015/16 – 237

Monetised Capital

Monetised value shared with employees

2016/17 - Rs.356 million
2015/16 – Rs.308 million

Value incurred in interacting and building relationships with foreign principals
2016/17 - Rs.8 million
2015/16 - Rs.9 million

Value incurred in managing relationships with customers and retaining them
2016/17 - Rs.61 million
2015/16 - Rs.62 million

Direct Investment of Monetised Capital

2016/17 - Rs.2,318 million
2015/16 - Rs.2,467 million

Segment Performance

Financial results of the segment, its contribution to the Group's results and how the value creation management of the segment has contributed to corporate strategic objectives are presented below.

Segment Turnover

Rs. million
 2016/17 – 4,314
 2015/16 – 3,861

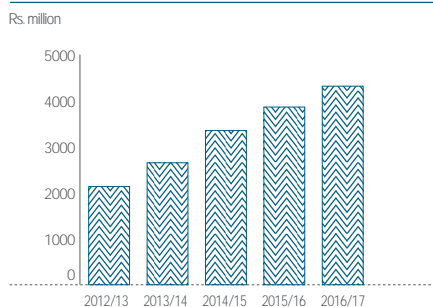
% Contribution to Group Turnover

2016/17 – 10
 2015/16 – 10

Segment Results

Rs. million
 2016/17 – 167
 2015/16 – 259

SEGMENT TURNOVER



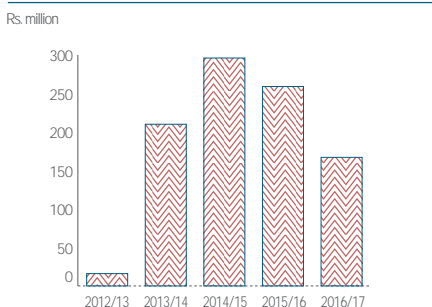
Stakeholder Satisfaction

During the year the segment achieved a Customer Satisfaction Index (CSI) above the sustainability performance objective of 85%. Below presented is the segment CSI over a 5 year period

Year	%
2012/13	87
2013/14	86
2014/15	91
2015/16	86
2016/17	90

Employee Satisfaction Index of the segment was 52%.

SEGMENT RESULTS



Energy Consumption

Total units of energy consumption in GJ' 000 during the year and the energy consumed in GJ' 000 for every Rs. one million turnover the segment made.

Year	Energy Consumption (GJ' 000)	Energy Consumed (GJ' 000) to generate Rs. one million turnover
2014/15	5,889	1.76
2015/16	10,374	2.69
2016/17	13,483	3.13

Water Consumption

Water consumption in M³ during the year and water consumed in M³ for every Rs. one million turnover the segment made.

Year	Water Consumption (M ³)	Water Consumed (M ³) to generate Rs. one million turnover
2014/15	9,318	2.78
2015/16	4,368	1.13
2016/17	8,572	1.99

Carbon Footprint

Carbon footprint in (tCO₂e) during the year and the carbon footprint generated for every one million turnover the segment made.

Year	Carbon footprint in (tCO ₂ e)	Carbon footprint (tCO ₂ e) to generate Rs. one million turnover
2014/15	1,310	0.39
2015/16	932	0.24
2016/17	1,370	0.32

Segment Risk Management

Risks specific to the Marketing and Distribution segment are managed at the segment level. Risk register maintained at each business unit feeds the risk status of each business to the business unit managers. Risks that are filtered from the business unit manager level are communicated to the GMC for further attention.

All significant risks which were filtered from the assessment process are reported in the Enterprise Risk Management Report from page 56 to 61. Out of them risks denoted by the following numbers in the Risk Management Report (page 58 to 61) are specific to the Marketing and Distribution business segment.



Segment Outlook

Forecasted growth in the construction industry and the demand for smart solutions is expected to boost the lighting and power tools business. The budget prepared indicate an improved segment result for the ensuing year.

TOP OF THE LINE

The Business Report

Construction and Material Handling Equipment

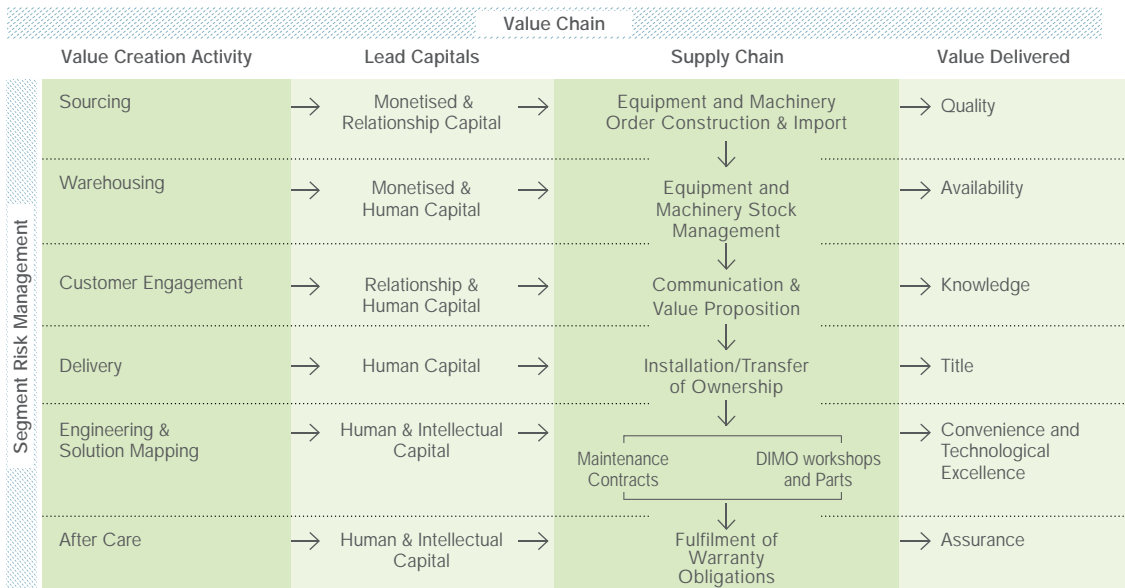


Segment Overview

The segment is involved in the business of sale and aftercare of earth moving machinery, road construction machinery and fork-lifts; it also provides products and solutions in fluid management and material handling as well as a range of after-market services including full maintenance contracts. The product inputs come from global leaders in construction and mining equipment and in material handling such as Komatsu, Bomag, Schaeffer, Schwing Stetter and Manitou.

The key value driver used to differentiate our offering in this segment is the technological excellence of best in class manufacturers in the world, backed by the commitment of DIMO's engineering support team to provide trouble free use. The DIMO engineering and design team's support allows customers to choose the most suitable solution, thereby gaining peace of mind to focus on their core business. This is the value proposition on offer.

The value chain presented above illustrates how value is added by DIMO to its customers at each level filling the gap between international brands and Sri Lankan construction and material handling equipment demand.



Capitals Invested

Presented below are some highlights of capitals available to the Construction and Material Handling Equipment Segment for value creation, as at 31st March 2017 or during the year.

Relationship Capital

Brand Portfolio



Key Principals

Komatsu Ltd.	- 48 Years
Bomag GmbH	- 38 Years
Schra'fer Systems International Pte.Ltd.	- 15 Years
MHE-Demag (s) Pte. Ltd.	- 14 Years

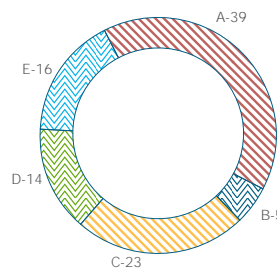
Customer Profile

75% of the customers consist of medium and large private organisations.

(For more details refer report on Relationship Capital – Customers and Relationship Capital – Business Partner from page 68 to 74)

Human Capital

NUMBER OF EMPLOYEES DIRECTLY INVOLVED IN THE BUSINESS



- A - Technical Service Staff
- B - Frontend Sales Staff
- C - Supporting Administration Staff
- D - Professionals in Sales and Administration
- E - Leading Personals

Number of Employees
2016/17 – 97 / 2015/16 – 106

Monetised Capital

Monetised value shared with employees

2016/17 – Rs.217 million
2015/16 – Rs.158 million

Value incurred in interacting and building relationships with foreign principals
2016/17 – Rs.7 million
2015/16 – Rs.4 million

Value incurred in managing relationships with customers and retaining them
2016/17 – Rs 10 million
015/16 – Rs.7 million

Direct Investment of Monetised Capital

2016/17 – Rs.1,420 million
2015/16 – Rs.1,132 million

Segment Performance

Financial results of the segment, its contribution to the Group's results and how the value creation management of the segment has contributed to corporate strategic objectives are presented below.

Segment Turnover

Rs. million
 2016/17 – 2,581
 2015/16 – 1,559

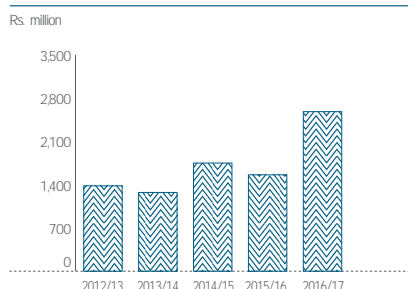
% Contribution to Group Turnover

2016/17 – 06
 2015/16 – 04

Segment Results

Rs. million
 2016/17 – 206
 2015/16 – 170

SEGMENT TURNOVER



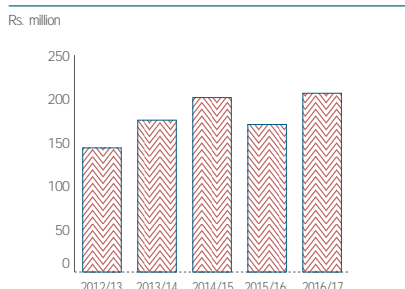
Stakeholder Satisfaction

During the year the segment achieved a Customer Satisfaction Index (CSI) above the sustainability performance objective of 85%. Below presented is the segment CSI over a 5 year period

Year	%
2012/13	86
2013/14	90
2014/15	88
2015/16	90
2016/17	88

Employee Satisfaction Index of the segment was 72%, which exceed the sustainability performance objective of 60%

SEGMENT RESULTS



Energy Consumption

Total units of energy consumption in GJ' 000 during the year and the energy consumed in GJ' 000 for every Rs. one million turnover the segment made.

Year	Energy Consumption (GJ' 000)	Energy Consumed (GJ' 000) to generate Rs. one million turnover
2014/15	4,229	2.42
2015/16	4,491	2.88
2016/17	5,858	2.27

Water Consumption

Water consumption in M³ during the year and water consumed in M³ for every Rs. one million turnover the segment made.

Year	Water Consumption (M ³)	Water Consumed (M ³) to generate Rs. one million turnover
2014/15	6,086	3.48
2015/16	9,399	6.03
2016/17	11,566	4.48

Carbon Footprint

Carbon footprint in (tCO₂e) during the year and the carbon footprint generated for every one million turnover the segment made.

Year	Carbon footprint in (tCO ₂ e)	Carbon footprint (tCO ₂ e) to generate Rs. one million turnover
2014/15	364	0.21
2015/16	404	0.26
2016/17	489	0.19

Segment Risk Management

Risks specific to the Construction and Material Handling Equipment segment are managed at the segment level. Risk register maintained at each business unit feeds the risk status of each business to the business unit managers. Risks that are filtered from the business unit manager level are communicated to the GMC for further attention.

All significant risks which were filtered from the assessment process are reported in the Enterprise Risk Management Report from page 56 to 61. Out of them risks denoted by the following numbers in the Risk Management Report (page 58 to 61) are specific to the Construction and Material Handling Equipment business segment.



Segment Outlook

The segment is equipped with required capitals and resources to improve revenue contribution to the group. Potential for growth in this sector is also high, with road construction and infrastructure projects expected to commence work in the ensuing year.

TOP OF THE LINE

The Business Report

Electro-Mechanical, Bio-Medical and Marine Engineering



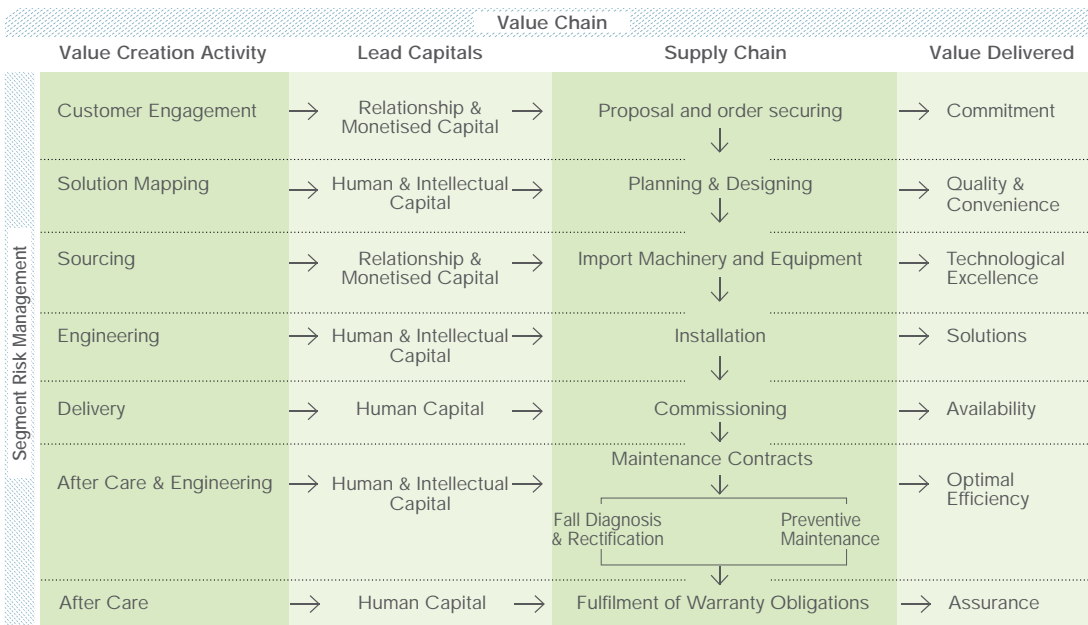
Segment Overview

This business segment delivers reliable and tailored technological solutions of high quality to meet the needs of individual clients. The segment offers a wide range of business solutions, which include building automation systems, fire detection, protection and suppression systems, CCTV and access control systems, public

address systems, power systems for marine propulsion and rail traction, industrial refrigeration, fluid management, bio-medical equipment, and solutions in medium and high voltage power engineering.

DIMO's solutions are based on offerings from world

leaders combined with our engineering capabilities. The qualified and trained DIMO engineering team is well equipped to deliver world class engineering solutions in Sri Lanka and to provide necessary after care. The value chain presented above shows the manner in which the segment adds value to its customers.



Capitals Invested

Presented below are some highlights of capitals available to the Electro-Mechanical, Bio-Medical and Marine Engineering Segment for value creation, as at 31st March 2017 or during the year.

Relationship Capital

Brand Portfolio



Key Principals

DEMAG-A Terex Brand	- 58 Years
KHD HumboldtWedag AG	- 57 Years
Siemens	- 57 Years
KSB AG	- 55 Years
Johnson Controls (S) Pte.Ltd-	40 Years
Carl Zeiss Meditec	- 32 Years
Rolls Royce Power System AG	- 30 Years

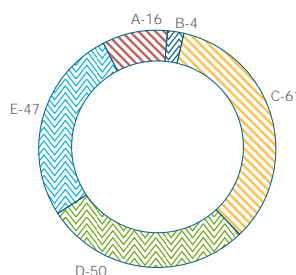
Customer Profile

50% of the customers consist medium and large private organisations.

(For more details refer report on Relationship Capital – Customers and Relationship Capital – Business Partner from page 68 to 74)

Human Capital

NUMBER OF EMPLOYEES DIRECTLY INVOLVED IN THE BUSINESS



- A - Technical Service Staff
- B - Frontend Sales Staff
- C - Supporting Administration Staff
- D - Professionals in Sales and Administration
- E - Leading Personals

Number of Employees
2016/17 – 178 / 2015/16 – 144

Monetised Capital

Monetised value shared with employees

2016/17 – Rs.396 million
2015/16 – Rs.303 million

Value incurred in interacting and building relationships with foreign principals

2016/17 – Rs.10 million
2015/16 – Rs.9 million

Value incurred in managing relationships with customers and retaining them

2016/17 – Rs.21 million
2015/16 – Rs.25 million

Direct Investment of Monetised Capital

2016/17 – Rs.1,914 million
2015/16 – Rs.1,644 million

Segment Performance

Financial results of the segment, its contribution to the Group's results and how the value creation management of the segment has contributed to corporate strategic objectives are presented below.

Segment Turnover

Rs. million
 2016/17 – 2,721
 2015/16 – 2,168

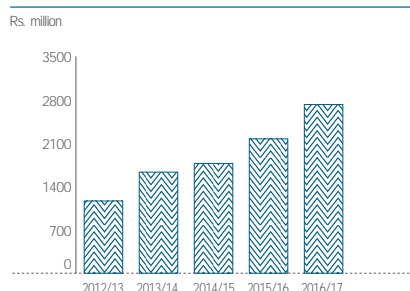
% Contribution to Group Turnover

2016/17 – 06
 2015/16 – 06

Segment Results

Rs. million
 2016/17 – 200
 2015/16 – 278

SEGMENT TURNOVER



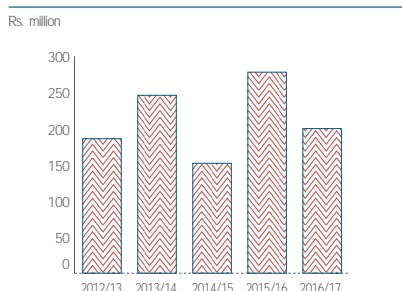
Stakeholder Satisfaction

During the year the segment achieved a Customer Satisfaction Index (CSI) above the sustainability performance objective of 85%. Below presented is the segment CSI over a 5 year period

Year	%
2012/13	88
2013/14	88
2014/15	93
2015/16	92
2016/17	97

Employee Satisfaction Index of the segment was 57%.

SEGMENT RESULTS



Energy Consumption

Total units of energy consumption in GJ' 000 during the year and the energy consumed in GJ' 000 for every Rs. one million turnover the segment made.

Year	Energy Consumption (GJ' 000)	Energy Consumed (GJ' 000) to generate Rs. one million turnover
2014/15	4,848	2.74
2015/16	4,735	2.18
2016/17	4,960	1.82

Water Consumption

Water consumption in M³ during the year and water consumed in M³ for every Rs. one million turnover the segment made.

Year	Water Consumption (M ³)	Water Consumed (M ³) to generate Rs. one million turnover
2014/15	7,771	4.39
2015/16	9,855	4.55
2016/17	14,477	5.32

Carbon Footprint

Carbon footprint in (tCO₂e) during the year and the carbon footprint generated for every one million turnover the segment made.

Year	Carbon footprint in (tCO ₂ e)	Carbon footprint (tCO ₂ e) to generate Rs. one million turnover
2014/15	439	0.25
2015/16	449	0.21
2016/17	416	0.15

Segment Risk Management

Risks specific to the Electro-Mechanical, Bio Medical and Marine Engineering segment are managed at the segment level. Risk register maintained at each business unit feeds the risk status of each business to the business unit managers. Risks that are filtered from the business unit manager level are communicated to the GMC for further attention.

All significant risks which were filtered from the assessment process are reported in the Enterprise Risk Management Report from page 56 to 61. Out of them, risks denoted by the following numbers in the Risk Management Report (page 58 to 61) are specific to the Electro-Mechanical, Bio Medical and Marine Engineering business segment.

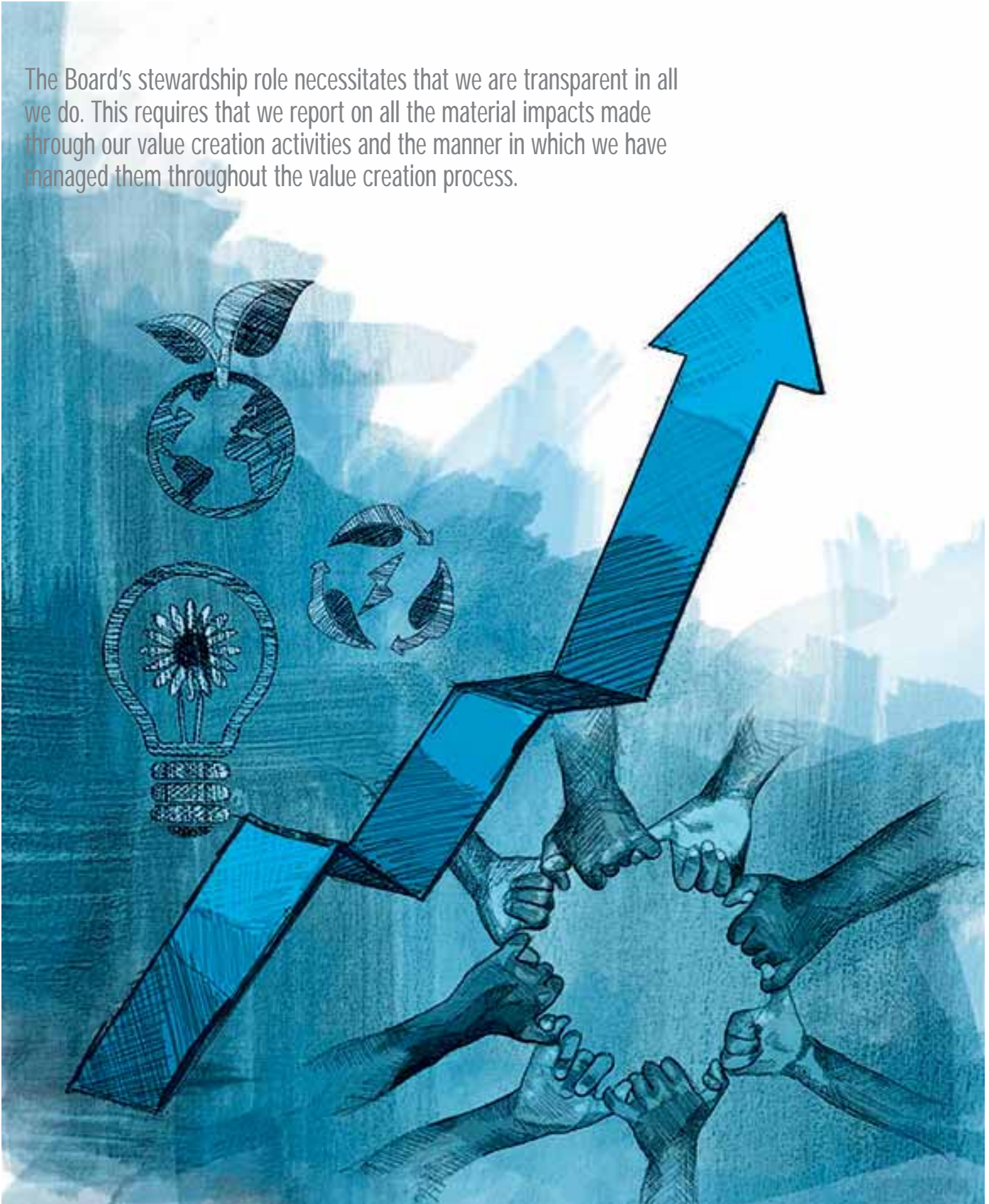


Segment Outlook

Large scale infrastructure development projects, expected growth in the hotel and tourism sector and expansion of health care industry in both the public and private sectors will provide an impetus for growth in the business. Further, the segment is equipped with skilled professionals and strong foreign principals to face any upcoming challenges in the industry.

Impact Management

The Board's stewardship role necessitates that we are transparent in all we do. This requires that we report on all the material impacts made through our value creation activities and the manner in which we have managed them throughout the value creation process.



Introduction to the Impact Management

Mission to Action

DIMO is committed to being a partner in sustainable development. This is reflected in our mission statement "Create Value Responsibly". Responsible behaviour to us is a part of our differentiation strategy and not a mere "license to operate".

As with many other business enterprises, our value creation activities bring about economic, societal and environmental impacts. For us the challenge is to minimise adverse impacts and maximise positive impacts.

Our value creation is interdependent on the relationships we maintain with our stakeholders. Therefore, identifying and responding to their expectations and material concerns plays a vital role in our management agenda.

We believe that we have a collective responsibility to participate in initiatives promoting sustainable development, outside the boundaries of our business. These are initiatives and projects not directly related to our business. Participation in these initiatives is on a voluntary basis, depending on affordability. To bring this into action, we engage in projects in collaboration with our employees and external institutions.

Our thinking and action towards sustainability complements the Sustainable Development Goals (SDGs) introduced by United Nations in 2015. We take the SDGs into account when we map our sustainability path. Therefore, when we participate in our sustainability journey, we become a contributor to the achievement of SDGs.

The Sustainability Committee is the policy making body on matters relating to sustainability. The illustration below depicts how sustainability imperatives flow from our mission statement to action.

Credibility in Reporting

The Board's stewardship role necessitates that we are transparent in all we do. This requires that we report on all the material impacts made through our value creation activities and the manner in which we have managed them throughout the value creation process.

We have followed GRI Standards published by Global Sustainability Standard Board (GSSB) for sustainability reporting. The Greenhouse Gas Protocol Corporate Standard published by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) has been used to measure and report on the Group's carbon footprint.

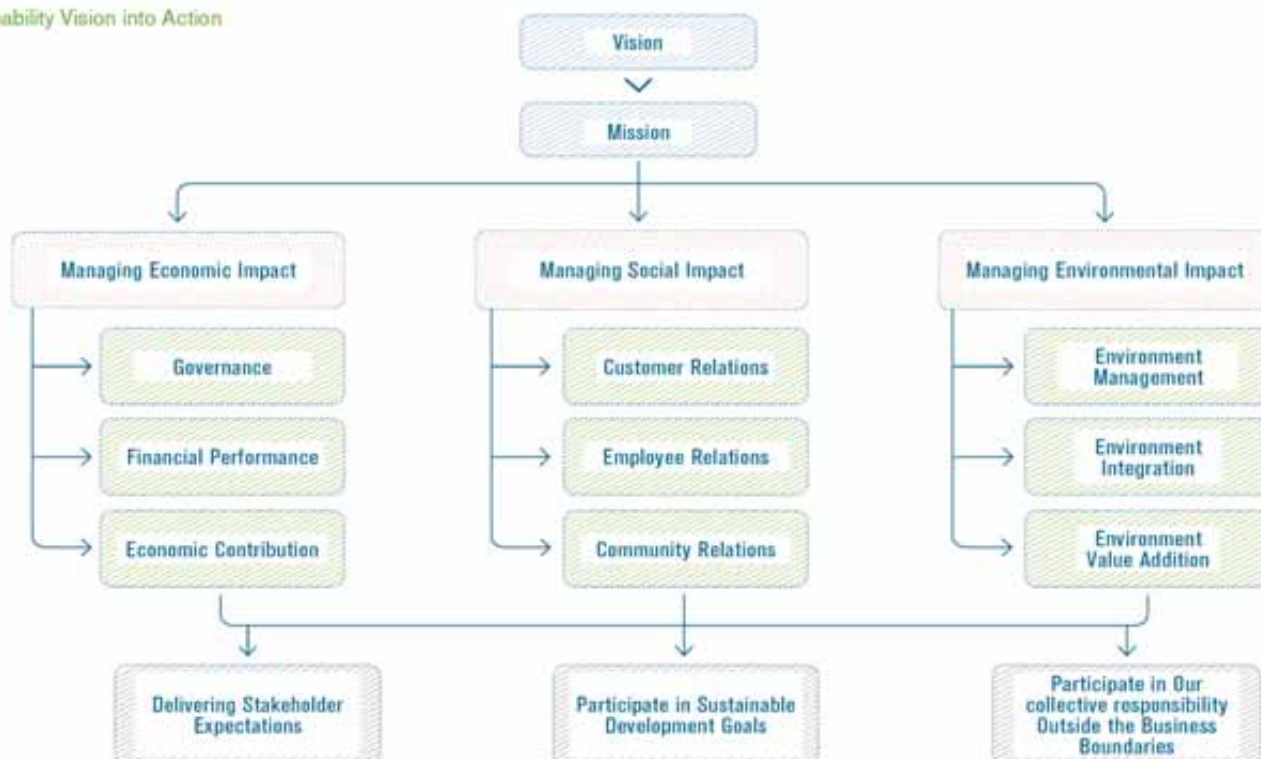
We have pledged to act responsibly when carrying out our business activities and to be responsive to the expectations of our stakeholders. We will also participate voluntarily in activities beyond the boundaries of our entity, taking on our share of collective responsibility.

Chairman/Managing Director

A.R. Ranjith Pandithage

An independent assurance on non-financial reporting is provided by DNV-GL to further enhance the credibility of our non-financial information. The assurance report is available from page 175 to 177 of this report.

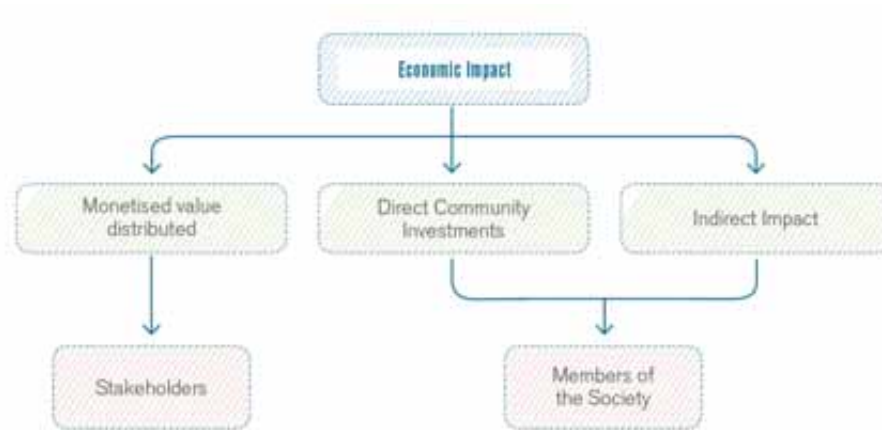
Sustainability Vision into Action



Economic Impact

Overview

DIMO makes its contribution to the economic growth and well-being of the country through value we continue to generate and distribute. We create economic value for our shareholders and other stakeholders who place their trust in us. Thus, our economic impact is experienced in two broad segments: our stakeholders and members of society.



DIMO's economic impact is manifested in three main areas; the monetised value we create and distribute as a result of economic performance; the positive economic impact we generate through direct community investments, and the indirect economic impact that is a consequence of monetised value distributed between stakeholders.

Management Approach

Our mission demands that we do business as a responsible corporate citizen. It directs and encourages us to approach business in a manner that will enhance our economic impact. Our sustainability policy and our continuing in-depth stakeholder engagement guide us in our approach to creating and distributing economic value.

DIMO's stakeholder engagement processes are aimed to identify key stakeholder expectations in relation to our economic impacts. These expectations are then analysed based on their relative importance and matters that need to be addressed are identified and then managed, in order to improve the economic value we create for both our stakeholders and the country in general (Please refer pages 34 to 38 for Stakeholder Engagement and Material Stakeholder Issues).

Our participation in the Sustainability Development Goals (SDGs) have been derived consequent to the stakeholder expectations identified during the stakeholder engagement. Our corporate behaviour underlined by the responsible entrepreneurship also complements and supports the SDGs.

Monetised Value Created and Distributed

MONETISED VALUE CREATED	MONETISED VALUE DISTRIBUTED AND RETAINED	
REVENUE Rs. 44.5 Bn In 2015/16 Rs.37.7 Bn	GOVERNMENT TAXES AND TARIFFS Rs. 12.4 Bn (68%) In 2015/16 Rs.10.2 Bn (68%)	COMMUNITY INVESTMENTS DONATIONS AND ENVIRONMENT PRESERVATION Rs. 122 Mn (1%) In 2015/16 Rs.78 Bn (1%)
COST OF MATERIAL AND SERVICES BROUGHT IN Rs. 26.5 Bn. In 2015/16 Rs.22.9 Bn	VALUE RETAINED PROFIT RETAINED AND DEPRECIATION Rs. 1.0 Bn (5%) In 2015/16 Rs.1.3 Bn (8%)	LENDERS INTEREST Rs. 856 Mn (5%) In 2015/16 Rs.454 Bn (3%)
VALUE CREATED Rs. 18.2 Bn In 2015/16 Rs.14.9 Bn	EMPLOYEES SALARIES, FEES AND SOCIAL SECURITY EXPENSES Rs. 3.3 Bn (18%) In 2015/16 Rs.2.8 Bn (18%)	OWNERS DIVIDEND Rs. 453 Mn (2%) In 2015/16 Rs.178 Bn (1%)

Our mission demands that we do business as a responsible corporate citizen. It directs and encourages us to approach business in a manner that will enhance our economic impact. Our sustainability policy and our continuing in-depth stakeholder engagement guide us in our approach to creating and distributing economic value.

Our Direct Economic Impact

Direct economic impact refers to the monetised value we distribute to our stakeholders as outgoings, in the value creation process and this includes direct investments made towards community development during the year.

The total monetised value created by DIMO during 2016/17 increased by 21.6% compared to last year. Goods and services to the value of Rs.6.4 billion was purchased locally, contributing to the local economic activity. While this value was created for the local economy, we also contributed Rs.20.1 billion for the global economy, in terms of the costs of imported materials and services.

Value created was distributed between the owners, employees, the government, lenders and directly, to the community, while 4.1% of the value created was retained in the business for future investment. This amounted to Rs.1,001 million (2015/16 - Rs.1,265 million).

Extracts of monetised value created and distributed is given on page 96.

Direct Community Investments

As a part of our collective responsibility towards sustainable development, we further distribute monetised value created on direct community investments. Rs.108.8 million of community investments during the year included investments towards technical education for apprentices and for developing the social and physical infrastructure of the community. These investments were chiefly focused on improving youth employability and developing livelihoods of the local community. More information on these investments is available in the Social Impact Report from page 106 to 109.

A further, Rs.13.2 million was invested on account of environmental preservation (More information on these investments is available in the Environmental Impact Report from page 98 to 105).

Our Indirect Economic Impact

Indirect impact on the economy is created when stakeholders either invest the monetised value they receive into their business operations, or spend it as household expenditure. It is difficult to precisely quantify the amount of direct improvement to the local economy through value spent or invested, as reliable data is not available. However the indicators of value distributed by the Company in areas of development do illustrate our contribution to indirect economic growth.

DIMO also reaches a broader segment of the local community through our investments in our Islandwide branch network. These branches generate local employment and thus improve and advance local community livelihoods. By increasing employment opportunities in many regions of the country, DIMO continues to help in the pursuit of economic growth and development across the country.

DIMO provided direct employment to 1,725 (1,573 in 2015/16) people, and indirect employment to 620 people at the end of March 2017 (599 in 2015/16). This shows an increment of 8% when compared to job opportunities created last year. 13.52% (13.62% in 2015/16) of total value distributed to employees was distributed in areas with a higher poverty headcount index than the country' poverty head count index of 5.50% (6.49% in 2015/16), illustrating our commitment to reducing poverty levels in the local community.

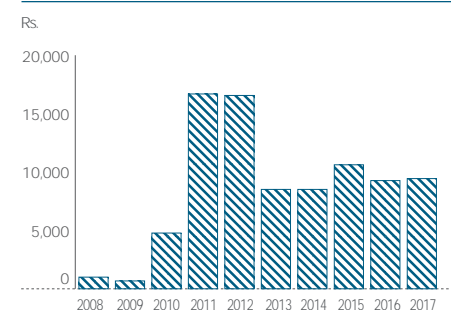
The following table identifies the number of jobs we have generated and the amount of Monetised Capital we have invested in fixed assets, including areas outside the Colombo and Gampaha Districts.

We also increase our contribution to indirect employment by using locally supplied goods and services. The standards of quality and ethics we enforce in our local procurement practices also drive improved sustainability in the businesses of our local suppliers (Please refer page 74 in the Business Partner Capital Report for our local procurement practices).

The value we create for our shareholders is another important element in measuring our indirect economic impact. While we directly distribute monetised value as dividends paid, the effectiveness and success of our value creation processes considered together with other share market conditions, increases the value of our shareholders' investments in DIMO, rewarding them through capital gains. Total Shareholder Return (TSR) computed taking into account the movement in share price at the beginning and end of the year and the dividend declared during the year is 11.13% (2015/16 - (9.57)%)

The value of the DIMO share is a reflection of our contribution to the development of the Sri Lankan share market. The following graph illustrates how an investment of Rs.1,000/- in DIMO shares in 2008 has increased over the years.

VALUE OF Rs.1000 INVESTED IN DIMO IN 2008



Description	Colombo and Gampaha Districts		Northern /East Province		Rest of the country		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Employment opportunities provided (new recruitments)	323	237	7	10	50	42	380	289
Employee as at 31st March	1417	1259	61	59	247	255	1725	1573
Investments in buildings, plant and equipment - Rs. million	177	71	4	1	154	8	335	80

Key Performance Measures

Aspect	Measure	2016/17	2015/16	2014/15	2013/14	2012/13
Climatic Change	Carbon footprint tCO2e per Rs.1 mn of Group net turnover	0.1731	0.1917	0.2413	0.2773	0.2292
Energy	Total energy consumption (1,000 GJ)	74,652	68,294	60,745	52,333	60,547
	Energy consumption (Giga joules) per employee (on average)	43	44	40	34	42
Water	Total water consumption (m ³)	112,875	104,049	87,081	90,487	101,984
Water Recycle	Ground water recycled and reused as a percentage of ground water consumption (%)	17	18	31	24	21
Waste	Total hazardous waste sent for recycling/reusing - Kg	151,483	138,090	111,781	125,153	132,364
	Total hazardous waste sent for recycling/reusing - Litres	100,857	106,468	106,000	107,646	105,506
Environmental Non-compliance	Action taken by the central environmental authority for non-compliance	Nil	Nil	Nil	Nil	Nil

Overview

We know that all types of business enterprises have an impact on the environment and our challenge is to ensure that we minimise the adverse impacts and maximise the positive impacts in all that we do. Our principal natural resources are land and water. Land has a monetary value, and therefore we have categorised it as a monetised capital. Water is not categorised as a capital because the materiality of the water consumption in value creation is minimal when compared to other forms of capital we use in our value creation process.

Nevertheless, the manner in which we regard the environment and natural resources remains a key part of our value creation process. We are committed to being a responsible corporate citizen and as such, we must guarantee that our operations have minimum impact on our physical environment. In light of this, regeneration, restoration and replenishment remain keywords in our environmental activities and we strive to spread environmental awareness, encouraging our employees and other stakeholders to live by environmentally-friendly, 'green' principles in the workplace and elsewhere.

Management Approach

Two principles lie at the heart of our environmental strategy; first, to minimise the impact of our operations on the physical environment and second, to inspire our employees and our society to internalise the values of conservation and commit to minimising our impact on the environment.

Our Environmental Management System (EMS) was upgraded with ISO 14001 (2015) accreditation during the year. EMS is the framework for our approach to matters of environmental sustainability, focusing on six material areas where our value creation activities impact the environment.

The Six Pillars of DIMO's Environmental Management System



A key input to environmental impact management is derived from our stakeholder engagement processes, which help us to identify issues relevant to our stakeholders, viewed from their perspective (Refer pages 34 to 38 for Stakeholder Engagement and Material Stakeholder Concerns). A second, equally important input is environmental regulation, considered in relation to our impact on the environment and playing an important part in devising environmental impact management strategy. The Sustainability Committee oversees and implements the EMS, while stakeholder interaction and the compliance team facilitates implementation through data collection, data analysis, independent assurance and physical inspection.

Our environmental policy communicates our corporate thinking to employees and visitors and reinforces our commitment towards the Sustainable Development Goals that we pursue. The 'I Pledge' programme at DIMO also encourages employees to 'live green' and carry the environmental ethic beyond the workplace and into their family and social life.


Our Environmental Management System (EMS) was upgraded with ISO 14001 (2015) accreditation during the year. EMS is the framework for our approach to matters of environmental sustainability, focusing on six material areas where our value creation activities impact the environment.

ENVIRONMENTAL POLICY

We at DIMO are committed to carrying out all operations with minimum adverse effects to the environment. During all activities, our employees will ensure conservation of natural resources. We will reduce, reuse, recycle waste and minimise pollution.

We will engage in preserving the natural environment external to our business boundaries. Further we will support chosen Sustainable Development Goals (SDG) related to protecting the environment.

DIMO group will comply with all legislative and regulatory requirements relating to the environment and best practices to which we have subscribed. Our environmental management system is periodically reviewed for continual improvement.



Ranjith Pandithage
 Chairman & Managing Director
 Diesel & Motor Engineering PLC



Climate Change and Emissions

Climate Change

Climate change or global warming is recognised as the world's biggest environmental challenge of the 21st century. DIMO is well aware of the issues and we are committed to working towards a cleaner, greener planet.

In this spirit, we shall:

- Ensure that emissions caused by our business activities fall within the regulatory frameworks and limits.
- Minimise the harmful impacts of our business activities that could contribute to climate change.
- Renew our commitment to managing the Greenhouse Gases (GHG) we emit. In light of this, we have been monitoring our carbon footprint over several years, using the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (revised edition).

I, Pledge to මගේ කොරෝන්දාව எனது வாக்குறுதி



Save Energy
 විදුලිය සැලකිය යුතු ලෙස
 භාවිතයෙන් වැඩි
 වැයපාඩු සීමා කිරීමට
 කැපවීම.

Save Fuel
 ඉන්ධන භාවිතයෙන් වැඩි
 වැයපාඩු සීමා කිරීමට
 කැපවීම.

Save Water
 ජලය භාවිතයෙන් වැඩි
 වැයපාඩු සීමා කිරීමට
 කැපවීම.

Avoid using polythene
 පොලිඑතීන් භාවිතයෙන්
 වැඩි වැයපාඩු සීමා කිරීමට
 කැපවීම.

Reduce consumption of materials
 ද්‍රව්‍ය භාවිතයෙන් වැඩි
 වැයපාඩු සීමා කිරීමට
 කැපවීම.

Spread the message
 සමස්ත සේවකයන් වෙත
 මෙම පණත ප්‍රචාරය
 කිරීමට කැපවීම.

Work together
 සියලුම සේවකයන්
 එකඟව කටයුතු කිරීමට
 කැපවීම.

Be informed
 ප්‍රවේශීය තොරතුරු
 ලබා ගැනීමට කැපවීම.

Get involved in Environment Protection
 පරිසර ප්‍රතිරක්ෂණ
 කටයුතු වෙහෙසින්
 සහභාගී වීමට කැපවීම.

Promote proper waste segregation
 ප්‍රමාණවත් ලෙස
 ප්‍රතිරක්ෂණ කටයුතු
 කිරීමට කැපවීම.

LIVE IN HARMONY WITH OUR ENVIRONMENT
 අප සිටින්නේ අපගේ පරිසරය සමඟ
 සමානාත්මයෙන් බවයි.
 நாம் வாழும் மூலம் எமது சுற்றுமூலம்
 சமமானம் செயற்படுவதற்கு

Our Carbon Footprint

Emission	2016/17	2015/16	% Change from p/y	2014/15	2013/14	Emission Intensity Ratio (tCO2e per Rs. 1 mn of Group Net Turnover)			
	tCO2 Emission			2016/17	2015/16	2014/15	2013/14		
Scope 1	4,969.88	4,423.15	12.36	4,243.10	4,371.63	0.1114	0.1172	0.1512	0.1792
Scope 2	2,595.86	2,444.27	6.20	2,080.90	1,411.60	0.0582	0.0648	0.0741	0.0742
Scope 3 (Limited)	154.09	356.14	(56)	446.70	273.11	0.0035	0.0094	0.0159	0.0258
Total	7,719.83	7,232.57		6,770.79	6,055.85	0.1731	0.1914	0.2413	0.2762

The Group's carbon foot print increased by 6.7% in the year under review (7% in year 2015/16). This was mainly due to the expansion of operational activities which led to a 20% increase in Group revenue. However, our GHG emissions decreased to 0.1731 tCO₂e per one million of Group's net turnover, compared to the value of 0.1917 tCO₂e recorded in the last year.

Our scope 3 calculation is presently limited to air travel, fuel used for third party delivery vehicles

and GHG emissions caused by the use of the A4 sheets of paper.

Waste can cause GHG emissions if it is not disposed of in a responsible manner. We have streamlined our waste disposal system, which gives us savings in GHG emission amounting to 52 tCO₂e.

The company will continue to integrate new processes that will contribute to the reduction of our carbon footprint over the years ahead.

Managing Atmospheric Emissions

An independent third party approved by the Central Environmental Authority (CEA) annually measures DIMO's atmospheric emissions, which are maintained within the limits permitted by the Central Environmental Authority.

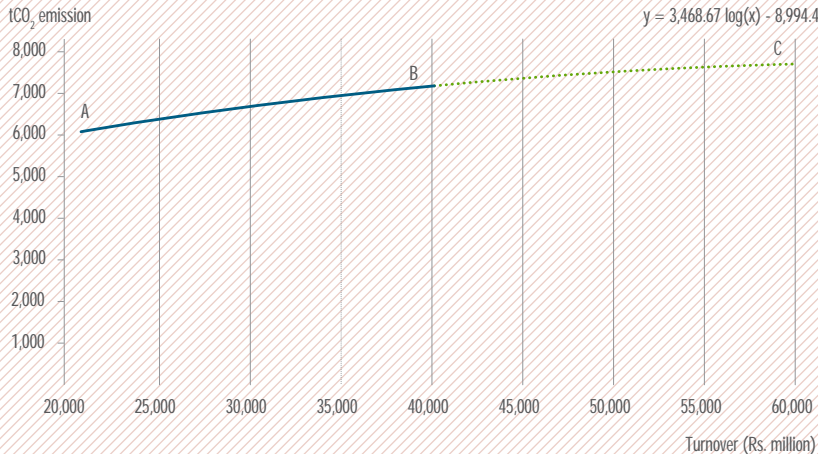
The main workshops now have exhaust gas and dust extractors which are effective in dealing with emissions typically emanating from engine testing and the cleaning of air filters and brake assemblies, while the workshop paint booths include filtration systems that prevent the release of toxic fumes and particles into the atmosphere.

DIMO's activities do not result in Ozone depleting emissions. CFC-free gases are used in vehicles and air conditioning plants which have built-in systems to capture and recycle gas when such units are being serviced.

DIMO's activities do not result in ozone depleting emissions. CFC-free gases are used in vehicles and air conditioning plants which have built-in systems to capture and recycle gas when such units are being serviced.

A Case Study - Carbon Footprint Curve of DIMO

LOG LINEAR TURNOVER VS CARBON FOOTPRINT



Performance relating our carbon foot print is currently measured as a ratio between tons of Carbon Dioxide Emissions (tCO₂e) per Rs.1.0 million of turnover. This ratio for the current year is compared with its corresponding figure for the previous year to see whether there is an increase or a reduction in the carbon foot print ratio. In doing so, we assumed a directly proportionate linear relationship between turnover and the resultant carbon footprint.

In order to look at our carbon footprint more aggressively and critically we are now looking at a scenario where we do not assume a linear

relationship but a non-linear positive relationship between the two variables. Upon mapping of data relating to turnover and the total carbon footprint for the last five years we were able to construct the following curve of best fit, which corresponds to the equation $y = 3,468.67 \log(x) - 8,994.4$. Point A to B in the following graph depicts the curve based on actual data for the last five years with point B to C depicting the extension of the curve when actual turnover in the future exceed current turnover. Therefore, our focus will be to limit our future carbon footprint to a spot below the curve.

Use, Reuse and Recycle

The scarcity of resources used in our value creation process is an important issue and we have therefore aligned our business and service process to use such resources efficiently and effectively. Renewable materials are used whenever possible.

The following table shows the key materials used in our workshop activities.

Key Materials Used in our Workshop Activities

Type of Material Used	Recycle or Non-recycle	Measurement	Quantity		
			2016/17	2015-16	2014/15
Kerosene	Non-Recycle	Lt	37,738	34,852	36,899
Lubricants	Non-Recycle	Lt	215,279	190,237	179,065
Floor Carpets (Paper) used in workshop	Recycle	Nos	60,000	60,500	30,000
Cotton Waste	Recycle	Kg	167,514	142,012	170,748
Paints	Non-Recycle	Lt	3,884	6,094	5,444
Lacquer	Non-Recycle	Lt	467	514	418
Thinner	Non-Recycle	Lt	13,921	16,438	16,867
Putty	Non-Recycle	Kg	2,110	2,635	1,075
Filler	Non-Recycle	Lt	1,328	697	745
A4	Recycle	Pkts	8,215	7,101	6,995

Methods of material/ waste disposal are discussed under Waste Management on pages 103 to 104.

A reduction in paint related material consumption in the vehicle service division was achieved by efficiently managing paint-booth activities and by efficient use of paint. However lubricant and kerosene consumption increased due to an increase in vehicle service throughput.

Energy Consumption and Conservation

Energy Consumption

DIMO's primary sources of energy are electricity, diesel, petrol and LP gas. A comparatively small amount of electricity is also generated through generators located at all business sites. The national grid is our main source of electricity except when the in-house generators are used, which is not often. A minimal amount of LP gas is used at the staff cafeteria.

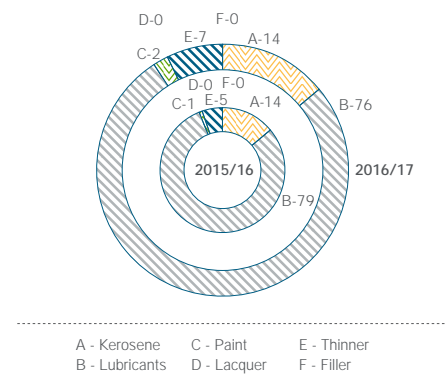
DIMO has a 9.3% increase in energy consumption when compared with the previous year, mainly due to an increase in activity reflected in a 17.9% increase in turnover. The rise in energy consumption has been in operational areas and this can also be attributed to construction related to building renovations at the head office. Fuel used for vehicles is constantly monitored.

Energy Consumption

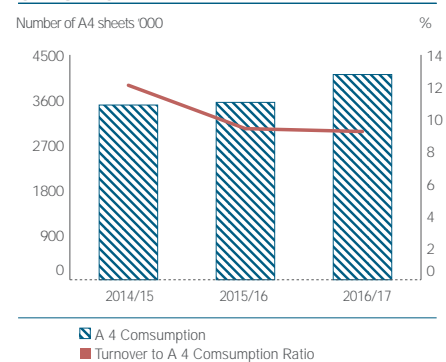
Description	Units	Consumption					Energy Intensity Ratio from Fulltime Employees	
		2016/17	2015/16	% Change from P/Y	2014/15	2013/14	2016/17	2015/16
Diesel for Vehicles	GJ	29,333	29,598	(0.09)	27,543	27,210	17.00	19.05
Diesel for Generators	GJ	1,042	906	15.00	622	306	0.60	0.58
Petrol for Vehicles	GJ	29,875	24,288	23.00	20,983	16,516	17.32	15.63
LP Gas	GJ	521	430	21.16	467	344	0.30	0.28
Electricity	GJ	13,882	13,071	6.20	11,128	7,957	8.05	8.41
Total		74,653	68,293	-	60,743	52,333	43.27	43.94

■ Direct Energy Consumption ■ Indirect Energy Consumption

WORKSHOP MATERIAL CONSUMPTION - COMPOSITION (%)



A4 CONSUMPTION AS A PERCENTAGE OF TURNOVER



Energy Audits, Energy Efficiency and Conservation

We are accredited by Sri Lanka Sustainable Energy Authority to conduct energy diagnosis and audits

In house energy audit conducted at Siyamabalape

Saving
10 MWh



Energy saving measures.

- Use of CFL and LED bulbs
- Air conditioning at 24° C
- Computers to revert to standby mode within a 5 minute idling period
- Maximum use of natural light



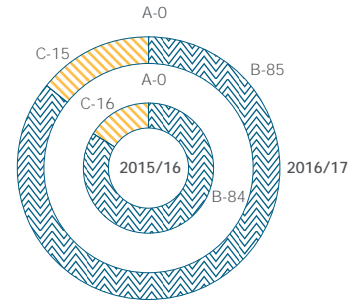
Green Building

Our premises and service workshops meet with the standards stipulated by local authorities and the Central Environment Authority (CEA). Our endeavour is to move beyond these minimum standards and further improve our ecological foot print. Bosch Diesel Centre and DIMO 800 are two Green Buildings which have been certified into gold category by Leadership in Energy and Environmental Design (LEED). DIMO 800 with more than 16,000 square meters of built area gives an energy saving of 25% compared to a traditional building.



We focus on use of natural light when we plan new constructions

WATER WITHDRAWAL AND DISCHARGE (DIRECT WATER USAGE) (%)



A - Green Water (Rain water)
B - Blue Water (Inland surface & ground water)
C - Grey water

Waste Water Treatment

Our waste management processes are designed to eliminate the risk of discharging untreated water into any public area or sewage system. Waste water from all our workshops passes through oil separators and is monitored to ascertain pH levels on a daily basis, thus ensuring compliance with legal limits. Random samples of recycled water are also collected by a Central Environmental Authority approved third party, to monitor pH Value and Chemical Oxygen Demand (COD). DIMO's biochemical oxygen demand, total suspended solids and oil/grease content were all found to be well below the tolerance levels demanded by the Central Environmental Authority.

Water Management

Water Usage and Recycling

Our achievements in managing the use of water continue to improve. Our commitment to water recycling is evident from the fact that we have been continuously achieving the sustainability objective relating to re-use of water. More details regarding this is available in Sustainability Performance Objectives Table on page 39.

The main source of water for our operations is the National Water Supply, while ground water sources were also used by the workshops in Siyambalape and Kurunegala and the Logistics Centre in Weliveriya.

Total Water Consumption and Re-use

DIMO strives to use lower quantities of water or recycled water in our operations when possible, in order to minimise our use of this resource. State-of-the-art water treatment and recycling plants are now in operation at all our main workshops. Water consumption increased by 19% during the financial year, when compared to the previous financial year (16% increase in 2015/16), and this was due to an increase in vehicle throughput in the workshops. We were able to recycle about 9% per cent of the total water used for our activities during the year under review, while 17% of the ground water consumed (18% in FY 2015/16) was also recycled and reused. These achievements are in line with our ultimate goal, to continuously increase the percentage of water that we recycle and reuse.

Total Water Consumption and Re-use

Description	Water Usage (M ³)			Reused Water (M ³)			Reused Percentage (%)		
	2016/17	2015/16	2014/15	2016/17	2015/16	2014/15	2016/17	2015/16	2014/15
Municipal Water	71,174	70,789	61,264	3,049	1,871	N/A	4.3	2.6	N/A
Ground water	41,166	33,151	25,692	7,046	5,878	7,910	17	18	31
Rain Water Harvesting	535	109	125	N/A	N/A	N/A	N/A	N/A	N/A
Total	112,875	104,049	87,081	10,095	7,749	7,910	N/A	N/A	N/A

* N/A - Not Available

Water Discharged Method

Water Discharge by Method	2016/17	2015/16	2014/15
Recycled and reused	10,095	7,749	7,910
Recycled and discharged to municipal drainage	2,774	3,676	2,434
Treated and discharged	5,482	8,270	5,186

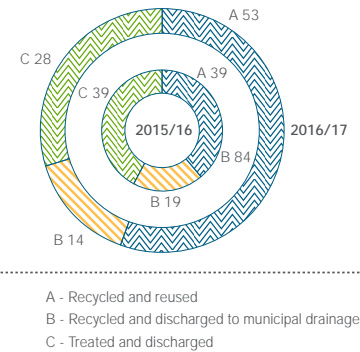
A Case Study - Newly Refurbished Rain Water Harvesting Plant in Weliveriya



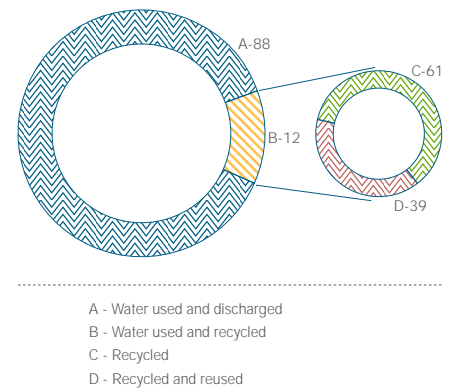
During the year under review we upgraded the rainwater harvesting system located at DIMO Logistic Centre – Weliveriya. Our objective was to develop a concept plan and design for rainwater harvesting and filtration systems which will collect rainwater during rainy seasons and the cleaning of collected water by way of filtering through a carbon and sand process, before being used for operational activities including vehicle washing. This was done with participation of the employees and cost the Company Rs.1.0 million with 300 voluntary hours coming from our tribe members.

The rainwater harvesting system storage capacity at Weliveriya is 323,500 litres which is approximately two months' consumption. As per the design 10% of the water is collected from roof gutters and 90% from storm water. Storm water is filtered through sand and carbon prior to storage. The average daily requirement of harvested rain water is approximately 7m³ per day. Further, fully utilised rainwater is treated through a recycled plant and used for gardening in the premises.

WATER DISCHARGE BY METHOD



WATER MANAGEMENT - 2016/17 (%)



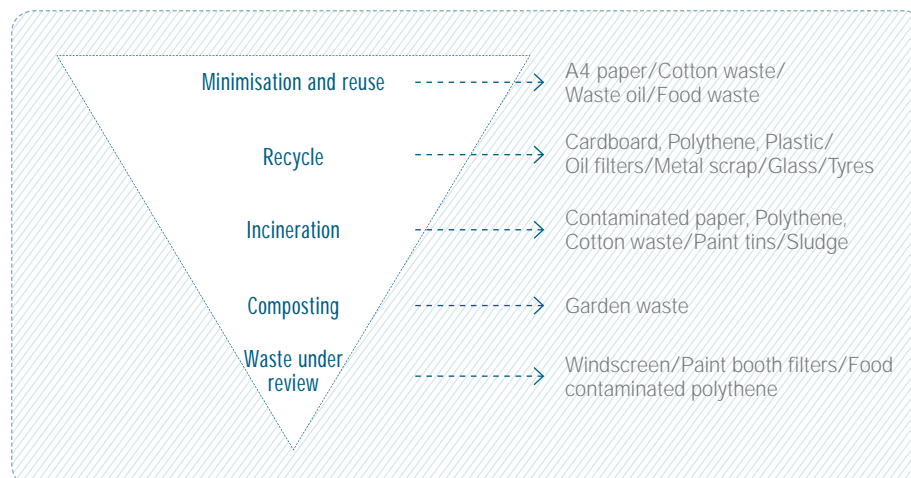
Effluent Waste Management

Use, Reduce, Reuse and Recycle. These are the keywords in our waste management strategies. Waste management and disposal is carefully managed at DIMO and our efforts are supported by every business unit. The following diagram shows our waste management hierarchy.

Non-Hazardous Solid Waste Management

We manage a system of segregation for non-hazardous solid waste. Separation is by organic material, paper, polythene and plastic. All dining areas have colour-coded bins for the segregation of food from wrapping material, and food-waste is collected by a third party for use as animal feed. An accredited third party - Insee Eco-cycle has been commissioned to provide a suitable waste management solution for DIMO's hazardous and non-hazardous waste, while our partnerships with e-waste recyclers ensure safe disposal of our electronic waste.

DIMO's Waste Management Hierarchy



TOP OF THE LINE

Environmental Impact

Non-hazardous Solid Waste Disposal

Description	Measurement	Period (Year)			Current Method of Disposal
		2016/17	2015/16	2014/15	
Organic	Kg	40,521	52,217	27,966	Reuse
Contaminated paper	Kg	8,993	9,955	6,496	Incinerate
Cardboard boxes	Kg	32,177	49,821	37,401	Recycle
Pallet racks	Kg	186,415	196,601	34,048	Reuse

Another of our goals is to achieve a paperless office environment and we have been making efforts to reduce paper usage and wastage over the years. These initiatives include an e-mail rider campaign discouraging the printing of e-mails, encouraging the use of recycled paper bags at our sales outlets, maximising the use of both sides of paper and recycling printer cartridges.

Our activities towards streamlining and educating employees on the correct methods of disposal and minimising waste have resulted in a significant reduction in all figures relating to solid waste disposal, when compared to the previous year.

Hazardous Waste Management

DIMO is pleased to report that there were no hazardous chemical spillages reported during the year. Material Safety Data Sheets have been made available for use in the event of such spillage. The Company has also invested in equipment such as oil suckers in order to deal with any events of oil spillage, while third parties collect the waste for recycling.

DIMO staff undergo regular training on safe practices and the correct handling of materials.

Hazardous Waste Disposal

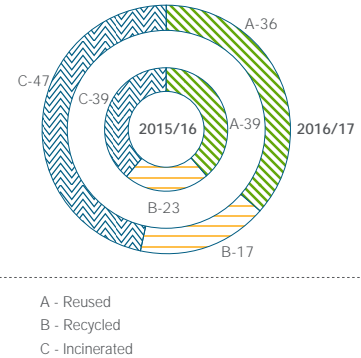
Type of Waste	Units	Quantity Disposed			Current Method of Disposal
		2016/17	2015/16	2014/15	
Waste oil*	Litre	100,857	106,468	106,000	Reuse
Sludge	Kg	120,330	105,183	93,073	Incinerate
Metal scrap	Kg	22,665	27,361	11,930	Recycle
Metal dust	Kg	2,649	3,590	-	Recycle
Paint cans	No.	1,453	1,642	920	Incinerate
Filters	No.	32,093	27,181	17,653	-
Batteries	No.	198	140	74	Recycle
Tyres	No.	471	523	129	Recycle
Sawdust	Kg	3,272	2,657	2,467	Recycle
Polythene	Kg	4,958	8,227	3,494	Recycle
Plastic	Kg	2,077	1,520	817	Recycle
Cotton waste	Kg	42,338	31,617	39,385	Incinerate

* Waste oil includes - engine oil from serviced vehicles

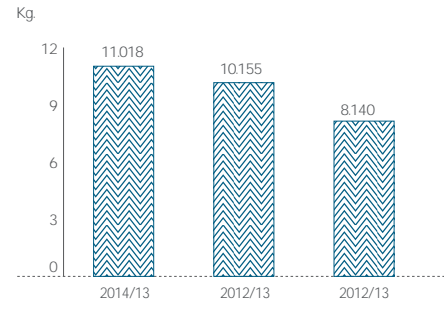
In other achievements, the amount of waste with regard to cardboard boxes and organic (food) waste has reduced. This was a direct result of our efforts to increase awareness about reducing material waste at DIMO.

At the workshops of TATA Division, paint consumption was reduced during the year.

WASTE DISPOSAL BY TREATMENT METHOD (%)



WASTE GENERATED PER RUPEES MILLION OF REVENUE

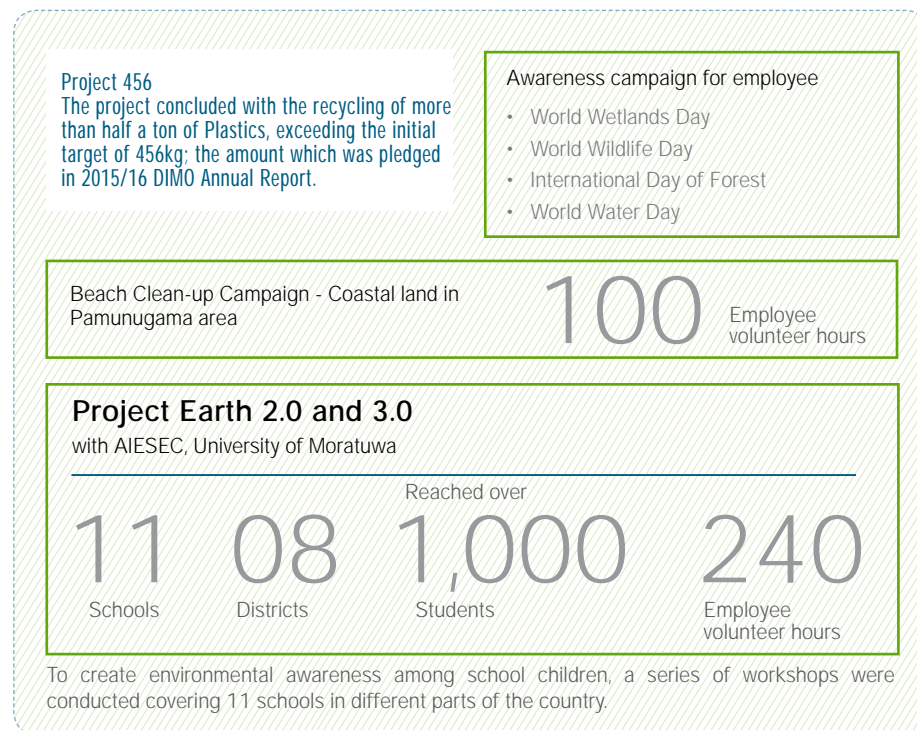


DIMO staff undergo regular training about safe practices and the correct handling of materials.

Noise Management

DIMO maintains a strict control over noise emissions from all its facilities ensuring the comfort and safety of any person in the vicinity of our worksites. Noise levels are measured by an independent third party who is accredited by the Central Environmental Authority (CEA). We comply with all regulations relating to noise emission and the Company is also taking steps to ensure that our noise emissions remain well below the legal requirement.

Voluntary Initiatives for Biodiversity Protection and Resource Conservation:



Environmental Expenditure

Our investments into environmental related matters have been categorised as follows:

Plus - Expenditure relating to projects that deliver a positive impact (eg: natural resources/ biodiversity conservation efforts, carbon off-setting projects)

Minus - Expenditure relating to pollution prevention, environment monitoring etc.

The following table indicates the "Pluses and Minuses" of our environmental expenditure incurred during the year under review.

Outlook

As stated in our Mission, DIMO is committed to 'Create Value Responsibly'. To this end, our drive to minimise the impacts we have on the environment is embedded at every point of our value chain. This aim is further supported by our Environmental Management System which is accredited by ISO 14001:2015 and we firmly believe that we can continue to achieve our sustainability objectives with regard to our environmental impacts.

We also focus on a collective effort aimed at taking our environmental policies beyond the boundaries of our business and to this end we participate in programmes and initiatives outside our business, on a voluntary basis.

Environment Expenditure	Rs. million	Environment Investment	Rs. million
Waste management	3.28	Environmental awareness for stakeholders	1.06
Waste water treatment	1.76	Environmental audit training and license	7.12
Total	5.04	Total	8.18

Key Performance Measures

Aspect	Measure	2016/17	2015/16	2014/15	2013/14	2012/13
Community Development	Annual expenditure on community development (Rs. million)	109	68	63	43	-
	Community investment as a percentage of turnover (%)	0.24	0.18	0.22	0.21	0.19
Development of Youth	No. of vocational training students given training during the year as a percentage of full-time employees (%)	27.65	24.72	24.82	16.78	10.50
Tax and Tariff Payment	Taxes and tariffs levies paid to government (Rs. million)	12,446	10,228	5,788	3,245	2,972

Overview

DIMO's social impact may be observed in three key areas; our labour policies, where we follow best practices to ensure a better workplace, a commitment to nurturing local communities, and responsible operations with regard to the products, services and after-care we offer.

In the area of our labour policies, we follow best practices in employee recruitment, retention, employee benefits, occupational health and safety, training and education and the management of employee related grievances. DIMO has won a number of awards and certifications related to our human resource practices. This is an indication of our commitment to our Human Resource. "Compliance +" which is a certificate awarded by the Employers' Federation of Ceylon, supported by the International Labour Organisation (ILO), recognition of our compliance with required standards relating to equal opportunity in employment, employer – employee relations, work arrangement practices and environment, bears testimony to our commitment to best labour practices. More details on our best practices are available under Human Capital on pages 75 to 79.

DIMO's social impact may be observed in three key areas; our labour policies, where we follow best practices to ensure a better workplace, a commitment to nurturing local communities, and responsible operations with regard to the products, services and after-care we offer.

Our commitment to local community development is strong, including the provision of technical and vocational training for young people, assistance in social and physical infrastructure development and participating in improvement of the quality of life and livelihoods of the community.

During the year under review DIMO distributed Rs.109 million (Rs.68 million in 2015/16) of

monetised value created, through social initiatives, playing our part in sustainable development.

Product responsibility is another important consideration in our value creation process, because this affects the level of trust we command from our customers. Therefore we place a strong emphasis on ethical marketing, product labelling, product safety and responsible aftercare; the many factors that together constitute our approach to product responsibility.

Management Approach

DIMO's mission statement says that our purpose is to 'Create value responsibly', a statement created in the backdrop of our commitment to being a responsible corporate citizen while wholly dedicating ourselves to creating value to our stakeholders.

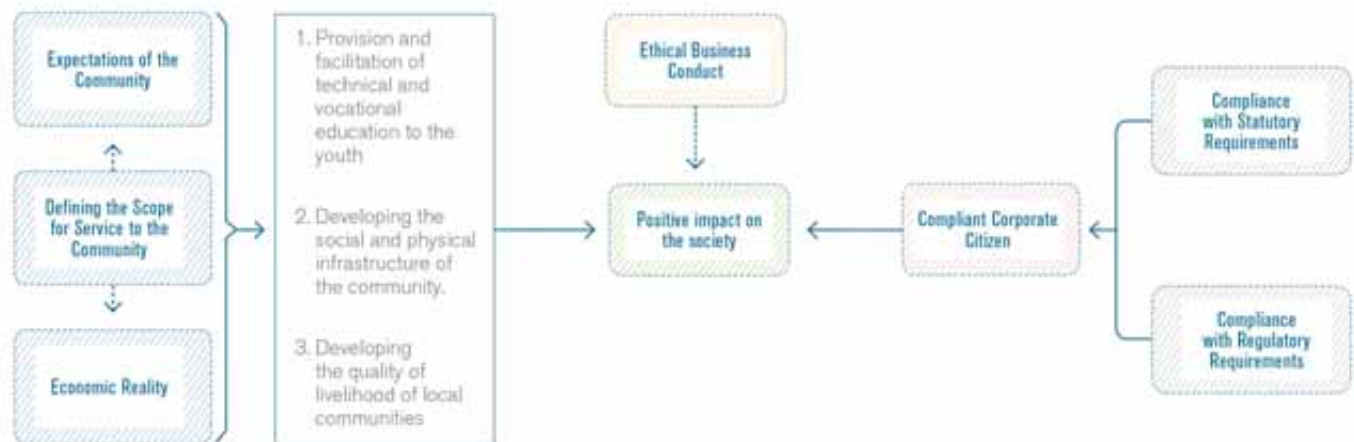
Our stakeholder engagement process includes independent stakeholder surveys, which help us to understand the expectations of communities directly affected by our operations. Stakeholder issues such as these are dealt with by the Sustainability Committee which formulates plans and policies designed to safeguard stakeholder interests.

DIMO also contributes to the United Nations' Sustainability Development Goals (SDGs) and we actively participate in this international initiative aimed at achieving global sustainable development.

Labour practices and product responsibility are two identified areas which have an impact on how we manage employees and customer relations respectively. These two aspects also represent two major capitals in our value creation process and our efforts in these areas are therefore discussed in the Human Capital Report (Refer pages 75 to 79) and the Customer Capital Report (Refer pages 68 to 71) respectively, offering greater clarity and completeness to the overall discussion.



Social Impact Management Framework



Our commitment to the local community which includes three border areas as below, is brought into context through our carefully developed social impact management framework.

Ethical Business Conduct

The requirements of the Board of Directors' role of stewardship ensure that our business conduct is ethical and transparent. This mandate is transformed into action by DIMO's Code of Business Ethics which specifies our approach to issues of corruption and competition as well as public policy, among other matters.

The Code of Business Ethics, among others, specifies strict guidelines for our employees, with regard to how they should conduct business operations and the limits within which they should deal with external parties. It also ensures that DIMO does not make any political donation. Nor do we attempt to influence any public bodies.

Our commitment to work in partnership with regulatory and non-regulatory organisations which promote ethical business conduct has further strengthened our efforts towards ethical business conduct.

Technical and Vocational Education for Young People

The DIMO Automobile Training School (DATS)

This is our flagship program to provide free technical education to local youth. The program is managed through two training schools, one located in Weliveriya and the other in Jaffna. The two-year training program graduates fully qualified students who are ready for employment.

Training programs are conducted with technical assistance from Daimler AG. Students are trained free of charge and receive an allowance, subsidised meals, uniforms and other benefits.

The training school offers students a comfortable, spacious learning environment with 3 fully-equipped lecture rooms, a modern electronics lab, a large workshop for vehicle repairs, a similarly large workshop for basic metalwork training, special tools to repair Mercedes-Benz vehicles, high-quality basic hand tool sets, specific electronic diagnostic equipment for Mercedes models and common electronic diagnostic equipment for other brands such as TATA.

Upon completion of the course, graduate apprentices are free to seek employment or to use their training to become entrepreneurs. Students could also find employment at DIMO in the event of vacancies becoming available at the Company.

Today, over 500 students have graduated from both the Colombo and Jaffna training schools. In total, the DATS programs have produced 32 diploma holders during the year, while 57 students are currently undergoing training.

DIMO continues to strive to make a difference to the community. We undertake to help, develop and nurture young Sri Lankan talent and showcase it to the world, while meeting the long term goals of creating job opportunities in Sri Lanka.

A Case Study - Formula Students - Quest for Talent



Formula Student is Europe's most famous educational motorsport competition, backed by the industry and high profile engineers. Each year, the competition challenges engineering students from around the world to design, build and race a single-seat racing car.

Team SHARK from the University of Moratuwa was the first Sri Lankan team to enter the Formula Student competition and their entry was fully sponsored by DIMO.

Additionally, Team SHARK was given expert advice and guidance by the Company and had full access to DIMO's Siyambalape site facilities to build the car.

We are proud to report that Team SHARK won three awards - for 'Best Newcomer in Class 1', 'Dedication to Formula Student Award' and an individual award for the 'Top Individual Driver' at the Formula Student World competition held at the Silverstone Circuit, UK in July 2016.

DIMO provided assistance to GIZ, a not-for-profit organisation, in offering mobile career guidance counselling about the NVQ qualification system to rural youth. A bus is used to travel island-wide to offer counselling to these young people. The program was launched to commemorate 60 years of Sri Lanka - German co-operation.

Developing the Social and Physical Infrastructure of the Community

DIMO Nasevena Technical Education Centre

Sri Lanka has a high traffic-related fatality rate. As a responsible corporate citizen, DIMO undertook a timely initiative to enhance the driving skills of both beginners and experienced drivers by establishing an institute in Sooriyawewa, aimed at promoting road safety and reducing the number of road accidents.

The DIMO Nasevena Technical Education Centre (DTI) is located on a 9 acre site in Sooriyawewa, Hambantota. The DTI employs classroom and practical training methodologies using world-class curriculums.

Other Community Infrastructure Development Initiatives

A wide range of philanthropic activities were conducted during the year to further increase DIMO's community engagement. These are listed below.

Kidney Disease Diagnostic Clinic

DIMO's Anuradhapura branch partnered the Public Health Inspection Department of Anuradhapura to conduct a Kidney Diagnostic Clinic. This was conducted for members of the Civil Security Department unit in Thanthirimale.

Blood Donation Campaign

A blood donation campaign was also organised by DIMO's Anuradhapura branch, for patients suffering from kidney-related disease. This event was held at Buddhangala Madya Maha Vidyalaya. More than 200 people donated blood at this worthy event for a good cause.

Developing the Quality of Life for Local Communities

DIMO seeks to be a part of our local communities, to understand the social impacts of our activities and contribute to economic and social development. As the nature of our business is long term, we strive to build enduring, mutually beneficial relationships with all our local communities.

Encouraging Youth Towards Vocational Training

The Government appointed a special committee to reform vocational training in Sri Lanka and DIMO stepped forward to help encourage young people to take up vocational training. In the first phase of this program, DIMO invited young three-wheeler drivers between 18-30 years of age, to create awareness about the employment opportunities that exist in Sri Lanka. Participants were educated about how and why they should choose to take up vocational training. Once the awareness programs are concluded, DIMO will select 20 three-wheeler drivers and sponsor their automobile training courses.

Additional Initiatives to Further Technical Education

Students from the following institutions were awarded apprenticeship training opportunities at DIMO during the year. 221 are undergoing training as at 31st March 2017. Training periods ranged from three months to one year, with a longer training period for NAITA apprentices.

Given below is the list of universities and institutes where these students were enrolled.

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

DIMO also conducted career guidance workshops for engineers on how to meet employer expectations, in collaboration with the Universities of Moratuwa and Peradeniya.

Annual Book Donation Ceremony

The DIMO Siyambalape service team organised the annual book donation in December 2016, for the 5th consecutive year. This event also serves as a stakeholder engagement initiative, helping us to maintain a good relationship with the neighbouring community. The event was held at the Siyambalape branch premises for children of families living near the Siyambalape workshop. School books, stationery and DIMO branded school bags were distributed to 262 school children.

A second book donation was conducted by the staff of the DIMO Logistics and Administration departments, who raised funds and distributed books to 270 students at Siri Siduhath Junior School, Welilwariya in January 2016.

Flood Relief Programs

During the floods of May 2016, DIMO stepped forward to help and support people in these areas. Over 2,000 people in several flood affected areas received fresh water, food, sanitary items and other necessities through this relief programme.

Our support for people and communities affected by the floods went further when DIMO undertook renovations of the Munidasa Kumaratunga Vidyalaya and Yabaraluwa Nandarama Temple, Malwana.

Road Safety Education Programme to the Community

A road safety awareness programme was organised in collaboration with the Sri Lanka Police on the 10th of March 2017, in Ratmalana. This was launched in order to meet the vital need for such a program and to increase employee engagement with community welfare activities.

The event targeted school van drivers, three wheeler drivers and traffic wardens of schools, to educate them about road safety and the importance of obeying road rules. We were pleased to observe the active participation of the audience during this program.

Compliance with Regulatory Requirements

The conformance dimension of the Board's role in stewardship requires that we comply with all laws and regulations. This mandate is seen in context of DIMO's Code of Business Ethics.

Execution of this mandate involves the continuous training of our employees, with regard to regulatory changes. At the time of joining the DIMO tribe, all members are made aware of the requirements in the Code of Business Ethics, during their orientation.

DIMO also ensures that all required filings and payments are made punctually and precisely and that all standards and guidelines are strictly followed, so that no issues are left pending.

Our business sites are located island-wide and every one of them is made aware of the need to adhere to the environmental regulations, product labelling and safety regulations applicable to each area.

Please refer to the Enterprise Governance report on pages 40 to 55 for more discussion about our legal platform and how we comply with regulations.

Engagement with External Associations

We have built close relationships with external trade associations, to align ourselves with industry best practice and to participate in the formulation of policy and legislation relevant to our businesses.

We understand that such policies and legislation could have a direct operational impact on our business, our employees, our suppliers and our customers. DIMO's membership in various associations help us to participate and lobby for the promotion of ethical business conduct, fair trade, social welfare and matters relating to social equity, among other issues. For example, our membership in trade organisations has driven us to voice our views on matters relating to taxation and tariff policy.

DIMO is a member of the following organisations:

- The American Chamber of Commerce
- The Automobile Association of Ceylon
- The Ceylon Chamber of Commerce
- The National Chamber of Commerce
- The Sri Lanka - Australia and New Zealand Business Council
- The Sri Lanka - France Business Council
- The Sri Lanka - German Business Council
- The Sri Lanka - Italy Business Council
- The Ceylon Motor Traders Association
- The Chamber of Young Lankan Entrepreneurs
- The Chamber of Construction Industry Sri Lanka
- The European Chamber of Commerce of Sri Lanka
- The Japan Sri Lanka Technical and Culture Association

DIMO is also a business network participant of the International Integrated Reporting Council.

Outlook

As a responsible corporate citizen, DIMO will continue to increase our community contribution and expand our involvement beyond our stated objectives. The Sustainable Development Goals will be prioritised in doing so, with the intention of making ourselves a better corporate citizen.

We will continue to listen to our stakeholders and pledge to be their trusted partner in all matters material to them, thus continuing our contribution to sustainable development.

Contribution to Sustainable Development Goals



The Sustainable Development Goals (SDGs) are a United Nations-sponsored effort to create a common set of development goals for all communities in every country, with the deadline for their attainment in 2030. The idea is to get governments, aid organizations, foundations and NGOs on the same page about what global problems most urgently need to be solved and how to measure progress and solutions.

We contribute to these Sustainable Development Goals in three ways. Firstly by managing impacts made by value creation activities, secondly by voluntarily participating in initiatives and projects that are outside our business boundaries and thirdly by offering products and services that contribute to attainment of the SDGs.



Presented below is an overview of our contribution towards Sustainable Development Goals during the year.

Contribution to SDGs by Managing Impacts of Value Creation Activities











What DIMO does Towards Attainment of Sustainable Development Goals	How can our Action Contribute to Attain Sustainable Development Goals	Applicable Sustainable Development Goal/s
We provide direct and indirect employment to 1725 and 620 persons respectively. Our Social Accountability Management System (SAMS) based on SA 8000 standard ensures that all these persons are treated in a responsible manner. Aspects covered in SAMS include equal opportunities, equal pay for equal value, eradication of child and forced labour, and protection of labour rights.	By following a credible Social Accountability Management System, we ensure that we create a decent work place. At the same time we provide employment opportunities to many, thereby contributing to economic growth.	Decent work and Economic growth
We have been monitoring our carbon footprint for several years, using the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard. Our environmental policy stipulates that the emissions caused by our business activities fall within the regulatory frameworks and limits.	By managing greenhouse gas emissions due to our business activities, we contribute to climatic resilience.	Climate Action
Our Environment Management System (EMS) covers six key areas. They are management of atmospheric emissions and climate change, materials management, energy and fuel management, water management, noise management and waste management. The EMS drives actions required in these areas. As a responsible corporate, DIMO is committed to diligently managing these six areas.	Effective management of the six areas will enable attainment of the SDGs relating to climate action, responsible consumption, affordable and clean energy (through management of energy efficiently), clean water and sanitation and life on land.	Clean water and sanitation, Affordable and clean energy, Life on land, Responsible consumption and production
Our premises and service workshops meet the standards stipulated by local authorities and the Central Environment Authority (CEA). Two of our newly constructed buildings are green buildings certified into the Gold Category by LEED. The estimated energy saving gained through the design and construction is 25%.	The energy saving achieved allows attainment of the SDG on climate action and energy efficiency measures taken contributes towards attainment of the SDG on affordable and clean energy.	Climate Action and affordable and clean energy

Contribution to SDGs by Participating in Initiatives and Projects Outside our Boundaries

What DIMO does towards attainment of sustainable development goals	How can our Action Contribute to Attain Sustainable Development Goals	Applicable Sustainable development Goal/s
The DIMO Automobile Training School has been providing opportunities for Sri Lankan youth on technical training free of charge for more than 25 years. The training school offers students a comfortable, spacious learning environment with three fully equipped lecture rooms, a modern electronics lab, a large workshop for vehicle repairs and basic metal work training. Today, over 500 students have graduated from these training schools.	This flagship project provide youth an opportunity to receive a quality technical education.	Quality Education
On an annual basis, we conduct book donations for the children of our neighbouring communities. At these events, school books, stationery and school bags were distributed among 262 children.	This initiative provide us the opportunity to support primary and secondary educational opportunities.	Quality Education
We have fostered innovation by sponsoring a team of undergraduates to participate in Europe's most established educational motorsport competition. The competition challenges university student engineers from around the world to design, build and use a single-seat race car in one year.	This project helped to enhance the innovation capabilities of our engineering undergraduates.	Industry Innovation and Infrastructure
"Project Earth" , a project designed to improve awareness on environmental preservation among school children, was carried out by DIMO. During the year, the programme included over 1,000 children.	Educating the younger generation on the importance of environmental sustainability is vital for sustainable development. By doing this, DIMO enlisted more people to participate in SDGs.	Life on Land

"Project 456" is an initiative where we recycled half a ton of plastic generated by our employees' households.	This project not only involved plastics being recycled, but it also promoted awareness of environmental sustainability at employee households.		Life on Land
A beach clean-up project was carried out as part of our collective responsibility towards sustainable development.	The project enabled us to extend our employees' contribution towards the betterment of life below water.		Life below water

Contribution to SDGs through our Products and Services Offering

What DIMO does Towards Attainment of Sustainable Development Goals	How can our Action Contribute to Attain Sustainable Development Goals	Applicable Sustainable development Goal/s	
We are in the business of providing lighting solutions to clients, using LED lamps.	Promoting LED based lighting solutions and delivering them will help to conserve energy. As we contribute to improving energy efficiency and reducing burning of fossil fuels, we contribute towards two SDGs.	 	Affordable and Clean Energy and Climate Action
DIMO supplies sophisticated state-of-the-art medical equipment and maintains them. The equipment includes MRI scanners, CT scanners, Cath Labs, Gamma Cameras, Mammogram machines, sophisticated ophthalmology equipment and surgical microscopes, Linear accelerators and Tomotherapy units used in oncology treatment and Critical care equipment. These products and solutions are manufactured by world leaders such as Siemens, Zeiss, Draeger and Accuray.	By bringing world renowned medical technology to Sri Lanka and ensuring their continuous availability through our competent engineering team, we play a vital role in making healthcare available with the latest technology to Sri Lankans.		Good Health and Well-being
The DIMO Batta, as it is commonly known, has become a very popular vehicle. It also produced a new class of entrepreneurs who started small businesses using this vehicle. It is perceived as a low cost vehicle and is also used as a personal vehicle by some. The versatility of this vehicle and its affordability makes economic sense to an owner or a potential owner.	The DIMO Batta is a vehicle that has been a means to producing many entrepreneurs and has uplifted the livelihoods of many people. It also provided many people an opportunity to earn an income and to find a way out of the low income trap. Therefore, this product has the potential to reduce poverty and inequalities.	 	No poverty and Reduce inequalities
DIMO is a Certified Energy Auditor as certified by the Sustainable Energy Authority of Sri Lanka. The company carries out energy audits for clients, which will eventually lead to more efficient use of power. Recommendations may also include use of renewable energy.	By giving advise on energy efficiency, the company participates in achieving the SDG on clean and affordable energy.		Affordable and Clean Energy
Fluid management is one of our businesses. A key component in this business is providing engineering solutions to water management. The National Water Supplies and Drainage Board is one of our key clients. Therefore, we play our part in providing drinkable water.	By providing engineering solutions to provide drinkable water, we subscribe to attaining the SDG clean water and sanitation.		Clean Water and Sanitation
Some of the vehicles that we sell have Hybrid engines. This helps to reduce consumption and burning of fossil fuel.	The decrease in the burning of fossil fuels will reduce emissions and help to combat climate change.		Climate Actions
We supply and maintain sophisticated machinery related to the construction industry, including road construction. The role played by us helps to build up the resilience of infrastructure that will eventually lead to economic prosperity.	By providing machinery with state-of-the-art technology to the construction industry and providing aftercare to ensure their availability, we facilitate the building of sustainable and resilient infrastructural systems.		Industry Innovation and Infrastructure
Power Engineering and Building technologies, which are two key businesses which, provide key inputs in building smart cities. Building technologies could automate many functions of a building, street or a city. Technologies relating to power engineering such as SCADA systems help in the efficient transmission of power and reducing waste. Similarly, building technologies can automate many aspects of a building such as power, air-conditioning, lighting systems and security systems. We deliver solutions from Siemens AG, who is a world leader in building smart cities.	Our Power Engineering and Building Technologies businesses provide many solutions that helps to build smart and sustainable cities.		Sustainable Cities and Communities

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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 2017, that includes and covers the Audited Financial Statements, Chairman's Message, CEO's Review, Enterprise Governance, Committee Reports, Risk Management, Capitals Report, Business Report, Impact Management Report, Statements of Responsibility, Auditors' Report, Independent Assurance on Non- Financial Reporting and other relevant information.

The information table on 'Disclosures required by the Companies Act No. 07 of 2007' appearing on page 46 form 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 23rd May 2017. The required number of copies of the Company's Annual Report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the stipulated time.

Group Structure and Nature of Operations

The Group structure and names of Directors of the Company and its subsidiaries are available on page 21.

A brief description of the nature of the principal business activities of the Group and the Company is given in Note 2.3 to the Financial Statements on page 128. There was no significant change in the nature of business of the Company or its subsidiaries during the year that may have a significant impact on the state of the Company's affairs.

Statements of Aspiration, Purpose and Values

The Company's statements of aspiration, purpose and values are available on page 05. 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.

Review of Business Performance

A review of business performance and future outlook of the Group is available in the Chairman's Message (pages 08 to 11), the Group Chief Executive Officer's Review (pages 12 to 15) and the sections titled Capitals Report (pages 63 to 81), Business Report (pages 82 to 93) and Impact Management Report (pages 94 to 111).

Disclosures

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

Financial Statements

The Financial Statements of the Group and the Company have been prepared in accordance with 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 aforementioned Financial Statements for the year ended 31st March 2017 signed on behalf of the Board by the Chairman/ Managing Director and Director/Chief Financial Officer (a member of the Board), are given on pages 122 to 165.

Financial Results and Appropriations

Turnover

The total gross Group turnover generated by the five business segments was Rs.44,493 million (2015/16 - Rs.37,750 million), while the turnover of the Company was Rs.41,564 million (2015/16 - Rs.35,403 million). A segment wise analysis is given in Note 4.2 appearing on pages 132 to 134.

Profit and Appropriations

The profit after tax of the Group was Rs.657 million (2015/16 - Rs.947 million) while it was Rs.593 million (2015/16 - Rs.740 million) for the Company.

The Group's total comprehensive income for the year was Rs.628 million (2015/16 - Rs.929 million) and the corresponding figure for the Company was Rs.565 million (2015/16 - Rs.724 million)

An interim dividend of Rs.24.00 per share for the year ended 31st March 2017 was paid during the year. The Group transferred Rs.400 million from retained earnings to general reserves during the year and the corresponding figure for the Company was Rs.300 million. Further information on dividends and reserves are available in Note 4.8 and 4.20 to the Financial Statements respectively.

The Board of Directors

The Board of Directors of the Company consisted of thirteen members as at 31st March 2017. Information relating to the Directors of the Company is available in the Directors' Profile on pages from 26 to 27.

The names of the Directors of subsidiary companies are given on page 21.

New Appointments and Resignation of Directors

The following Directors were appointed to the Board with effect from 01st June 2016.

Name of the Director	Executive/Non-Executive status
Mr.A.D.B. Talwatte	Independent Non-Executive
Mr.M.V. Bandara	Executive
Mr. P.K.W.Mahendra	Executive
Mr.S.R.W.M.C. Ranawana	Executive

There were no resignations from the Board during the year.

Retirement and Re-election of Directors

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

Mr. A. D. B. Talwatte, Mr. M. V. Bandara, Mr. P. K. W. Mahendra and Mr. S. R. W. M. C. Ranawana who were appointed as Directors during the financial year 2016/17, retire in terms of the Article 71 of the Articles of Association of the Company, are eligible for re-election at the forthcoming Annual General Meeting.

The agenda for the Annual General Meeting includes an ordinary resolution to be taken up to re-appoint appoint Mr. R. Seevaratnam as a Director, who has reached the age of 73.

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 - 2013 issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants of Sri Lanka. The terms of reference of each Committee is set by the Board.

Mr. A.D.B. Talwatte was appointed as a member of the Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee with effect from 01st June 2016. He succeeded Mr. R. Seevaratnam as the Chairman of the Audit Committee on 11th October 2016. Mr. R. Seevaratnam continues to be a member of the Audit Committee.

Board and Board Committee Meetings

The number of Board meetings held and the number of meetings attended by the Directors is given on page 49. The number of Board Committee meetings held and the attendance of members are given in the respective Committee Report appearing on pages 51, 52, 53 and 54.

Review of Performance of the Board and Board Committees

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

The review of performance of Board Committees were carried out during the year by way of a discussion during the Board meetings 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 168 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. R.C. Weerawardane who are Directors of the Company did not hold any shares of the Company as at 31st March 2017.

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 117 of the Annual Report and form an integral part of the Annual Report of the Board of Directors. The Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed.

Related Party Transactions

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 as per 31st March 2016 audited Financial Statements, which requiring specific disclosures in the 2016/17 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 2016 audited Financial Statements, which required additional disclosures in the 2016/17 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.

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

Accounting Policies

The significant Accounting Policies adopted by the Group and the Company are given on pages 128 to 162.

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 2017 and of their performance for the year ended on that date. There were no changes to the Accounting Policies used by the Group and the Company during the year.

Independent Auditors Appointment and Remuneration

The Company's Independent External Auditors, Messrs KPMG, Chartered Accountants, who were re-appointed by a resolution passed at the last Annual General Meeting, have expressed their opinion which appears on page 121 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 the Enterprise Governance Report, Audit Committee Report, Risk Management Report and Board of Directors' Statement on Internal Controls available on pages 41 to 50, page 51, pages 56 to 61 and page 118 respectively.

IN LINE WITH YOUR EXPECTATIONS

Annual Report of the Board of Directors

Declaration

The Directors declare that:

- I. to the best of their knowledge and belief, the Group/Company has not engaged in any activity, which contravenes laws and regulations of the country.
- II. all material interests in contracts involving the Company has been disclosed by them and refrained from voting on matters in which they were materially interested.
- III. the Company has made all endeavours to ensure equitable treatment of all shareholders.
- IV. the business is a going concern and that the Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared considering the Company and its subsidiaries as a going concern.
- V. internal controls covering financial, operational, risk management and compliance controls have been reviewed, and have obtained reasonable assurance from Internal Audit of their effectiveness and successful adherence.

Enterprise Governance

The Enterprise Governance section appearing from pages 41 to 55 shows 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 in the Risk Management Report on pages 56 to 61.

Employment

The Group practices and policies relating to selection, training, development, promotion and employee relations are detailed in the section titled 'Human Capital' on pages 75 to 79.

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 167 to 168 under 'Share Information'.

Donations

The Group and the Company made donations during the year amounting to Rs.6.0 million and Rs.5.8 million respectively (2015/16 - Group: Rs.2.8 million, Company - Rs.2.2 million).

Property, Plant and Equipment and Intangible Assets

The Group and the Company incurred Rs.724 million and Rs.701 million respectively (2015/16 - Group: Rs.284 million, Company: Rs.269 million) on acquisition of property, plant and equipment, details of which are available in Note 4.9 to the Financial Statements.

The Company invested Rs.21 million on intangible assets during the year (2015/16 - Zero) as disclosed in Note 4.11 to the Financial Statements.

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

Market Value of Freehold Land

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

Stated Capital

The stated capital of the Company as at 31st March 2017 amounted to Rs.425 million (2015/16- Rs.425 million), details of which are available in Note 4.19 to the Financial Statements. There were no shares issued during the financial year.

Statutory Payments

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

Environmental Protection

Policies and endeavours made on environmental preservation by the Group and the Company are detailed in Impact Management Report under Environmental Impact on pages 98 to 105.

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 5.5 to the Financial Statements on page 165.

Annual General Meeting

The Annual General Meeting will be held at the registered office of the Company, No. 65, Jetawana Road, Colombo 14 on Friday, 30th June 2017 at 10.00 a.m. The notice of Annual General Meeting is given on page 182.

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
23rd May 2017

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 163 to 164. In addition, the Company carries out transactions in the ordinary course of business in an arm's length basis with entities where the Chairman or Director of the Company is the Chairman or a Director of such entities as detailed below.

Director/Company	Relationship	Nature of the transaction	Outstanding as at 31.03.2017 (Rs. '000)	Outstanding as at 31.03.2016 (Rs. '000)
Mr. A.M. Pandithage				
Alumex PLC*	Director	Repairing and servicing of vehicles	425	55
Dipped Products PLC	Director	Repairing and servicing of vehicles	162	30
Fentons Ltd	Director	Sales of spare parts and lighting products	25	-
Grossart (Pvt) Ltd	Director	Repairing and servicing of vehicles	50	4
Haycarb PLC	Director	Repairing and servicing of vehicles	89	381
Hayleys Advantis Ltd**	Director	Repairing and servicing of vehicles	33	-
		Sales of spare parts	-	3
Hayleys Fabric PLC	Director	Repairing and servicing of vehicles	40	45
Hayleys Global Beverages (Pvt) Ltd	Director	Repairing and servicing of vehicles	20	7
		Sales of spare parts	-	8
Hayleys Industrial Solutions (Pvt) Ltd	Director	Repairing and servicing of vehicles	-	63
Hayleys PLC*	Director	Repairing and servicing of vehicles	1,108	-
Horana Plantations PLC	Director	Sales of spare parts	44	37
Kelani Valley Plantations PLC	Director	Repairing and servicing of vehicles	-	40
Lanka Orient Express Lines Ltd	Director	Repairing and servicing of vehicles	6	47
Logistics International Ltd	Director	Repairing and servicing of vehicles	-	354
		Sales of spare parts	-	56
Logiventures (Pvt) Ltd	Director	Sales of spare parts	156	209
		Repairing and servicing of vehicles	-	290
		Sale of vehicle	-	10,525
Logiwiz Ltd	Director	Sales of Spare parts	530	175
		Repairing and servicing of vehicles	-	6
Logiwiz N W (Pvt) Ltd	Director	Repairing and servicing of vehicles	-	180
		Sales of spare parts	-	111
Mabroc Teas (Pvt) Ltd	Director	Repairing and servicing of vehicles	-	3
Ravi Industries (Pvt) Ltd	Director	Sale of vehicle	2,703	-
Talawakelle Tea Estates PLC	Director	Repairing and servicing of vehicles	-	412
Venigros (Pvt) Ltd	Director	Sales of spare parts	-	1,087
Mr. R. Seevaratnam				
Alpha Apparels Ltd	Independent Non-executive Director	Repairing and servicing of vehicles	19	333
Distilleries Company of Sri Lanka PLC	Independent Non-executive Director	Sales of spare parts	216	-
Hayleys Agricultural Holdings (Private) Ltd	Independent Non-executive Director	Sales of vehicles	-	740
Hayleys Consumer (Pvt) Ltd	Independent Non-executive Director	Repairing and servicing of vehicles	44	-
Nestle Lanka PLC	Independent Non-executive Director	Sales of spare parts and lighting products	1,472	-
Omega Line Ltd	Independent Non-executive Director	Sales of spare parts	112	3
		Repairing and servicing of vehicles	-	14
Sirio Ltd	Independent Non-executive Director	Sales of lighting products	188	-
Tokyo Cement Company (Lanka) PLC***	Independent Non-executive Director	Sale of vehicle	11,625	1,720
		Repairing and servicing of vehicles	1,548	1,636
		Sales of spare parts	603	298
Dr. Harsha Cabral				
Lanka Orix Finance PLC	Independent Non-executive Director	Sale of vehicle	-	50,495
Tokyo Cement Power Lanka (Pvt) Ltd	Independent Non-executive Director	Repairing and servicing of vehicles	-	995
Tokyo Eastern Cement Co Ltd	Independent Non-executive Director	Sale of vehicle	23,250	-
Tokyo Super Cement Lanka (Pvt) Ltd	Independent Non-executive Director	Sales of spare parts	-	92

* Dr. Harsha Cabral is also an Independent Non-executive Director

** Mr. R. Seevaratnam is also an Independent Non-executive Director

*** Mr. A.D.B. Talwatte and Dr. Harsha Cabral are also Independent Non-executive Directors

Board of Directors' Statement on Internal Controls

Requirement

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

Responsibility

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

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

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

Key Internal Control Processes

- The Board Committees and Management Committee are established to assist the Board in ensuring the effectiveness of the Group's operations and that the Group's operations are directed towards corporate objectives, strategy, annual budget, policies, taking in to consideration the business environment and internal operating conditions.
- The Group Internal Audit function provides comfort on the efficiency and effectiveness of the Internal Control System. More details are available in Audit Committee Report on page 51.
- The Audit Committee reviews internal control issues identified by the Group Internal Auditors, the Independent External Auditors, and regulatory authorities, and the management evaluates the adequacy of the internal control system.

Confirmation Statement

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

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
23rd May 2017

Statement of Directors' Responsibilities for Financial Statements

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 page 121.

The Companies Act No. 07 of 2007 requires the Directors to prepare and present Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year and the profit or loss of the Company and the Group for the financial year, and place them before a general meeting of shareholders. The Financial Statements comprise of the Statement of Financial Position as at 31st March 2017, the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended and Accounting Policies and Notes thereto.

Accordingly, the Board of Directors confirms that the Financial Statements of the Group and the Company give a true and fair view of the;

- financial position of the Company and its subsidiaries as at 31st March 2017; and
- financial performance of the Company and its subsidiaries for the financial year then ended.

Directors also ensure 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 judgements 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.

The Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and of the Group.

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

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

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

The Directors, having reviewed the financial budget and cash flows for the year to 31st March 2017 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.

By Order of the Board,



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

Colombo
 23rd May 2017

Financial Calendar

Interim Financial Statements

Three months ended 30th June 2016	–	1st August 2016
Six months ended 30th September 2016	–	15th November 2016
Nine months ended 31st December 2016	–	14th February 2017
Twelve months ended 31st March 2017	–	26th May 2017

Dividends

Interim dividends paid for 2016/2017	–	31st March 2017
Annual Report – Financial year ended 31st March 2017	–	6th June 2017
72nd Annual General Meeting	–	30th June 2017

Independent Auditors' Report



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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
 +94 - 11 244 6058
 +94 - 11 254 1249
Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF DIESEL & MOTOR ENGINEERING PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Diesel & Motor Engineering PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 123 to 165.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- The financial statements of the Company give a true and fair view of its financial position as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS
 Colombo

23rd May 2017

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

MR. MEGHA FCA	PKS PERERA FCA	CF. JAYARATNE FCA
ESU NALLIYAR FCA	NWJC PERERA FCA	MR. S. JOSEPH FCA
MR. S.M.B. JAYASEKERA ACA	WKDC ABAYAGUNASE FCA	RTD.L. PERERA FCA
G.A.U. KANUNGO FCA	N.M.S. HAYAKON FCA	MR. B.K.D.F.V. RANJANA FCA
R.H. RAJANALA		

Principals - S.H.J. PERERA FCA(SL) & LLB, Attorney-at-Law, H.S. GOONWARDENE ACA
 MR. C.T.K.N. PERERA ACCA(SL)

Section 1 - Financial Statements

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

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

Statement of Financial Position: Financial position

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

Statement of Cash Flows: Cash flows

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Group			Company		
		2017 Rs.'000	2016 Rs.'000	Change %	2017 Rs.'000	2016 Rs.'000	Change %
Revenue	4.2	44,492,990	37,749,750	18	41,563,559	35,403,232	17
Sales taxes		(221,157)	(245,170)	(10)	(174,697)	(208,378)	(16)
Net revenue		44,271,833	37,504,580	18	41,388,862	35,194,854	18
Cost of sales		(36,874,214)	(30,967,983)	19	(34,802,483)	(29,408,729)	18
Gross profit		7,397,619	6,536,597	13	6,586,379	5,786,125	14
Other operating income	4.3	173,403	86,141	101	269,638	103,147	161
Selling and distribution expenses		(1,029,667)	(1,081,710)	(5)	(941,391)	(993,134)	(5)
Administrative expenses		(4,848,990)	(3,909,740)	24	(4,358,235)	(3,530,638)	23
Operating profit		1,692,365	1,631,288	4	1,556,391	1,365,500	14
Finance income		207,210	219,079	(5)	198,389	194,578	2
Finance costs		(856,183)	(470,308)	82	(848,378)	(468,036)	81
Net finance costs	4.4	(648,973)	(251,229)	158	(649,989)	(273,458)	138
Profit before tax	4.5	1,043,392	1,380,059	(24)	906,402	1,092,042	(17)
Income tax expense	4.6	(386,601)	(433,453)	(11)	(313,370)	(352,319)	(11)
Profit for the year		656,791	946,606	(31)	593,032	739,723	(20)
Other Comprehensive Income							
Items that will not be reclassified to profit or loss							
Remeasurement of defined benefit obligation	4.23.1	(40,795)	(24,719)	65	(39,213)	(22,565)	74
Deferred tax charge on actuarial loss	4.6.2	11,423	6,921	65	10,980	6,318	74
		(29,372)	(17,798)	65	(28,233)	(16,247)	74
Items that are or may be reclassified subsequently to profit or loss							
Net fair value gains on remeasuring financial assets-available-for-sale		542	462	17	544	466	17
		542	462	17	544	466	17
Total other comprehensive income, net of tax		(28,830)	(17,336)	66	(27,689)	(15,781)	75
Total comprehensive income for the year		627,961	929,270	(32)	565,343	723,942	(22)
Basic and diluted earnings per share - (Rs.)	4.7	73.99	106.64		66.81	83.34	

Figures in brackets indicate deductions.

The Notes appearing on pages 128 to 165 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Assets					
Property, plant and equipment	4.9	8,299,035	7,929,828	8,298,487	7,945,833
Lease rentals paid in advance	4.10	22,321	24,526	22,321	24,526
Intangible assets	4.11	24,051	19,577	24,044	19,559
Investments in subsidiaries	4.12	-	-	23,289	23,350
Financial assets-available-for-sale	4.14	7,825	7,179	7,804	7,156
Deferred tax assets	4.24	4,034	1,711	-	-
Total non-current assets		8,357,266	7,982,821	8,375,945	8,020,424
Inventories	4.15	8,941,711	7,607,292	8,574,365	7,326,211
Trade and other receivables	4.16	4,276,799	3,877,074	3,243,893	3,092,234
Other current assets	4.17	895,450	689,317	824,446	596,502
Current tax asset	4.29	6,393	-	-	-
Amounts due from subsidiaries	4.30.1	-	-	79,319	53,714
Cash and cash equivalents	4.18	281,799	176,140	269,556	164,243
Total current assets		14,402,152	12,349,823	12,991,579	11,232,904
Total assets		22,759,418	20,332,644	21,367,524	19,253,328
Equity and Liabilities					
Equity					
Stated capital	4.19	425,297	425,297	425,297	425,297
Other components of equity	4.21	2,839,898	2,839,356	2,839,885	2,839,341
Revenue reserves	4.20	6,899,747	6,725,026	5,981,889	5,869,788
Total equity attributable to the equity holders of the Company		10,164,942	9,989,679	9,247,071	9,134,426
Long-term borrowings	4.22.1	590,100	907,030	590,100	907,030
Employee benefits	4.23	626,158	500,505	583,912	468,525
Deferred tax liabilities	4.24	247,606	182,161	247,606	182,161
Deferred income	4.25	335,895	354,755	108,619	158,313
Total non-current liabilities		1,799,759	1,944,451	1,530,237	1,716,029
Trade payables	4.27	1,681,344	1,645,819	1,563,181	1,565,629
Other current liabilities	4.28	1,302,970	1,109,719	1,091,120	885,637
Current portion of long-term borrowings	4.22.1	319,425	398,101	319,425	398,101
Current tax liability	4.29	18,286	65,010	14,990	23,004
Short-term borrowings	4.22.2	7,472,692	5,179,865	7,406,351	5,147,647
Amounts due to subsidiaries	4.30.1	-	-	195,149	382,855
Total current liabilities		10,794,717	8,398,514	10,590,216	8,402,873
Total liabilities		12,594,476	10,342,965	12,120,453	10,118,902
Total equity and liabilities		22,759,418	20,332,644	21,367,524	19,253,328
Net assets per share		1,145.16	1,125.42	1,041.75	1,029.06

Certification

These Financial Statements as set out on pages 122 to 165 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

23rd May 2017
Colombo

The Notes appearing on pages 128 to 165 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31st March	Note	Other Components of Equity			Revenue Reserves		Total Rs.'000
		Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Available-for- Sale Reserve Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	
Group							
As at 01st April 2015		425,297	2,833,277	5,617	4,342,290	1,631,457	9,237,938
Profit for the year		-	-	-	-	946,606	946,606
Other comprehensive income, net of tax		-	-	462	-	(17,798)	(17,336)
Total comprehensive income		-	-	462	-	928,808	929,270
Transactions with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2014/15 First and final dividend		-	-	-	-	(177,529)	(177,529)
Transfer during the year		-	-	-	275,000	(275,000)	-
Total contributions and distributions		-	-	-	275,000	(452,529)	(177,529)
As at 31st March 2016		425,297	2,833,277	6,079	4,617,290	2,107,736	9,989,679
Profit for the year		-	-	-	-	656,791	656,791
Other comprehensive income, net of tax		-	-	542	-	(29,372)	(28,830)
Total comprehensive income		-	-	542	-	627,419	627,961
Transactions with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2015/16 First and final dividend	4.8	-	-	-	-	(239,664)	(239,664)
2016/17 Interim dividend	4.8	-	-	-	-	(213,034)	(213,034)
Transfer during the year		-	-	-	400,000	(400,000)	-
Total contributions and distributions		-	-	-	400,000	(852,698)	(452,698)
As at 31st March 2017		425,297	2,833,277	6,621	5,017,290	1,882,457	10,164,942
Company							
As at 01st April 2015		425,297	2,833,277	5,598	4,079,464	1,244,377	8,588,013
Profit for the year		-	-	-	-	739,723	739,723
Other comprehensive income, net of tax		-	-	466	-	(16,247)	(15,781)
Total comprehensive income		-	-	466	-	723,476	723,942
Transactions with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2014/15 First and final dividend		-	-	-	-	(177,529)	(177,529)
Transfer during the year		-	-	-	250,000	(250,000)	-
Total contributions and distributions		-	-	-	250,000	(427,529)	(177,529)
As at 31st March 2016		425,297	2,833,277	6,064	4,329,464	1,540,324	9,134,426
Profit for the year		-	-	-	-	593,032	593,032
Other comprehensive income, net of tax		-	-	544	-	(28,233)	(27,689)
Total comprehensive income		-	-	544	-	564,799	565,343
Transactions with owners of the Company							
- contributions and distributions							
Dividends to equity owners							
2015/16 First and final dividend	4.8	-	-	-	-	(239,664)	(239,664)
2016/17 Interim dividend	4.8	-	-	-	-	(213,034)	(213,034)
Transfer during the year		-	-	-	300,000	(300,000)	-
Total contributions and distributions		-	-	-	300,000	(752,698)	(452,698)
As at 31st March 2017		425,297	2,833,277	6,608	4,629,464	1,352,425	9,247,071

The General Reserve and Retained Earnings represent reserves available for distribution.

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

Figures in brackets indicate deductions.

The Notes appearing on pages 128 to 165 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st March	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Cash Flows from Operating Activities					
Profit before taxation		1,043,392	1,380,059	906,402	1,092,042
Adjustments for					
Depreciation on property, plant and equipment	4.9	326,354	301,921	320,445	297,150
Amortisation of intangible assets and lease rentals paid in advance	4.5	17,625	16,783	17,614	16,190
Amortisation of deferred income		(18,860)	181,512	(49,694)	34,729
Provision for impairment of investments in subsidiaries	4.12.1	-	-	61	-
Gains on sale of property, plant and equipment	4.3	(17,302)	(16,225)	(17,901)	(17,572)
Derecognition of capital work-in-progress	4.9	389	3,076	389	3,132
Interest expenses	4.4	856,183	470,308	848,378	468,036
Interest income	4.4	(13,536)	(23,496)	(12,397)	(21,060)
Dividend income	4.3	(298)	(298)	(88,545)	(11,368)
Foreign currency loan translation variance	4.22.1.1	-	22,542	-	22,542
Provision for impairment of trade receivables	4.5	77,463	217,012	50,819	195,552
Provision for slow moving inventories	4.5	143,855	6,215	140,333	16,423
Provision for employee benefits obligation excluding actuarial loss	4.5.1	97,439	78,492	88,755	71,859
		2,512,704	2,637,901	2,204,659	2,167,655
Changes in working capital					
Increase in inventories		(1,478,274)	(2,834,932)	(1,388,487)	(2,746,534)
(Increase)/decrease in trade and other receivables		(477,188)	24,640	(202,478)	164,018
(Increase)/decrease in other current assets		(206,133)	114,831	(227,944)	143,212
Increase in amounts due from subsidiaries		-	-	(25,605)	(34,763)
Increase/(decrease) in trade payables		35,525	(335,363)	(2,448)	(316,759)
Increase in other current liabilities		192,774	333,253	205,006	211,845
Increase/(decrease) in amounts due to subsidiaries		-	-	(187,706)	286,734
Cash generated from/(used in) operating activities		579,408	(59,670)	374,997	(124,592)
Interest paid		(856,412)	(453,594)	(848,607)	(451,322)
Employee benefits paid	4.23	(12,581)	(18,353)	(12,581)	(16,563)
Income tax paid	4.29	(365,173)	(305,199)	(244,959)	(262,395)
Net cash used in operating activities		(654,758)	(836,816)	(731,150)	(854,872)

For the year ended 31st March	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Cash Flows from Investing Activities					
Net proceeds from sale of property, plant and equipment		46,921	37,156	46,715	37,001
Dividends received		194	298	88,441	11,368
Interest received		13,536	23,496	12,397	21,060
Acquisition and construction of property, plant and equipment and capital work-in-progress	4.9	(724,381)	(284,079)	(701,114)	(268,639)
Acquisition of intangible assets	4.11	(21,082)	-	(21,082)	-
Net cash used in investing activities		(684,812)	(223,129)	(574,643)	(199,210)
Cash Flows from Financing Activities					
Proceeds from long-term borrowings	4.22.1.1	-	800,000	-	800,000
Repayment of long-term borrowings	4.22.1.1	(394,900)	(1,117,662)	(394,900)	(1,117,662)
Dividends paid	4.20	(452,698)	(177,529)	(452,698)	(177,529)
Net cash used in financing activities		(847,598)	(495,191)	(847,598)	(495,191)
Net decrease in cash and cash equivalents		(2,187,168)	(1,555,136)	(2,153,391)	(1,549,273)
Cash and cash equivalents as at 01st April		(5,003,725)	(3,448,589)	(4,983,404)	(3,434,131)
Cash and cash equivalents as at 31st March (Note-A)		(7,190,893)	(5,003,725)	(7,136,795)	(4,983,404)
Note - A					
Analysis of Cash and Cash Equivalents as at 31st March					
Cash and bank balances	4.18	281,799	176,140	269,556	164,243
Short-term borrowings	4.22.2	(7,472,692)	(5,179,865)	(7,406,351)	(5,147,647)
Cash and cash equivalents		(7,190,893)	(5,003,725)	(7,136,795)	(4,983,404)

Figures in brackets indicate deductions.

The Notes appearing on pages 128 to 165 form an integral part of these Financial Statements.

Section 2 - Corporate Information

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

2.1 Reporting Entity

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

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

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

2.2 Consolidated Financial Statements

The Consolidated Financial Statements of Diesel & Motor Engineering PLC as at and for the year ended 31st March 2017 comprise of the Company and its fully-owned subsidiaries (together referred to as the 'Group' and individually as 'Group Entities').

2.4 Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31st March 2017, were authorised for issue by the Board of Directors on 23rd May 2017.

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

2.3 Principal Business Activities and Nature of Operations

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

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

There were no significant changes in the nature of the principal business activities of the Group and the Company during the financial year under review. The activities of the Group are described in more detail in the 'Group Structure' on page 21.

Section 3 - Basis of Accounting

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

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

3.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka (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). These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

3.2 Responsibilities for the Financial Statements

The Board of Directors acknowledges their responsibility for Financial Statements, as set out in the 'Annual Report of the Board of Directors', 'Statement of Directors' Responsibilities for Financial Statements' and the certification on the Statement of Financial Position on pages 114 to 116, 119 and 124 respectively, of this Annual Report.

3.3 Basis of Measurement

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

Caption	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
Financial assets-available-for-sale	Fair value	4.14
Defined benefit obligation	Present value based on key actuarial assumptions	4.23

3.4 Functional and Presentation Currency

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

3.5 Use of Materiality, Offsetting and Rounding

Materiality and aggregation

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

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

Offsetting

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

Rounding

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

3.6 Summary of Significant Accounting Judgements, Estimates and Assumptions

In preparing these Financial Statements of the Group/Company, the Management has made judgements, estimates and assumptions that affect the application of Group's accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgements and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised prospectively.

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

Going concern

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

Significant areas of critical judgements, assumptions and estimation uncertainty, in applying Accounting Policies that have most significant effects on the amounts recognised in the Financial Statements of the Group are detailed in following Notes.

Accounting Policies	Accounting judgements, estimations and assumptions	Note
Impairment of non financial assets	Judgement regarding impairment indicators, estimate of future cash flows and discount rates.	3.8
Current tax and Deferred tax asset	Judgement regarding deferred tax assets (the likely timing and level of future taxable profits) and provision for uncertain tax positions.	4.6 & 4.24
Useful life time of property plant and equipment	Judgement is exercised in estimating the residual value, rates and method of depreciation.	4.9
Provision for impairment of trade receivables	Judgement regarding amount and timing of future cash flows.	4.16
Employee benefits	Key actuarial assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.	4.23
Provisions and contingent liabilities	Estimate of ongoing legal disputes and litigations	4.26

IN LINE WITH YOUR EXPECTATIONS

Section 3 - Basis of Accounting

3.7 Significant Accounting Policies

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

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

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

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

3.8 General Accounting Policies

Basis of consolidation

The Group's Financial Statements incorporate the Financial Statements of the Company and its subsidiaries in terms of the Sri Lanka Accounting Standard-SLFRS 10 on 'Consolidated Financial Statements'.

Subsidiaries

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

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

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

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

Transactions eliminated on consolidation

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

Foreign currency

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.

Foreign currency differences are recognised in the Statement of Profit or Loss.

Impairment of non-financial assets

The carrying amount of all non-financial assets, other than inventories 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.

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 is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Statement of cash flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing 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.

3.9 New Accounting Standards Issued but not yet Effective

Some of the new Standards and amendments to Standards, which have been issued but not yet effective for the financial year commencing 1st April 2016, have not been applied in preparing these Consolidated Financial Statements.

New or amended Standards	Summary of the requirements	Possible impact on Financial Statements
SLFRS 9 - 'Financial Instruments'	<ul style="list-style-type: none"> • SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 - Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39. • SLFRS 9 is effective for annual reporting periods beginning on or after 01st January 2018. 	<p>The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 9. This Standard is not expected to have a significant impact on the Financial Statements of the Group.</p>
SLFRS 15 - 'Revenue from Contracts with Customers'	<ul style="list-style-type: none"> • SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. • SLFRS 15 introduces a five-step model to determine when to recognise revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised. • It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. • SLFRS 15 is effective for annual reporting periods beginning on or after 01st January 2018. 	<p>The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 15.</p>
SLFRS 16 - 'Leases'	<ul style="list-style-type: none"> • SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off – balance sheet operating leases. Instead there will be a single on balance sheet accounting model that is similar to current finance lease accounting. • SLFRS 16 is effective for annual reporting periods beginning on or after 01st January 2019. 	<p>The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 16.</p>

Section 4 - Specific Accounting Policies and Notes

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

4.1 Revenue

Accounting Policy

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

Sale of goods

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

Rendering of services

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

Constructions related contracts

Revenue from construction related contracts is recognised in Profit or Loss in proportion to the stage of completion of the transaction at the reporting date.

The stage of completion 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.

Service support income

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

4.2 Operating 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 five strategic business segments which are reportable segments, namely:

Reportable segments	Operations
Vehicles—Sales	Sale of brand new passenger vehicles, commercial vehicles, agri machinery, special purpose vehicles and pre-owned passenger vehicles.
Vehicles—After Services	Repair and service of vehicles included in the vehicles-sale segment, sale of franchised vehicle spare parts, accessories and components.
Marketing and Distribution	Sale and service of power tools and accessories, lamps, batteries, lighting controls, switchgear, fittings and accessories, tyres, original equipment spare parts and auto components.
Construction and Material Handling Equipment	Sales and services of earth moving machinery, road construction machinery, material handling machinery, forklifts, storage systems, dock levellers, car parking systems and gondolas.
Electro-Mechanical, Bio-Medical and Marine Engineering	Sale, installation, commissioning and maintenance of medical equipment, generating sets, diesel engines for marine propulsion and rail traction, building management systems, fluid management systems, industrial refrigeration systems and power engineering equipment and systems.

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

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

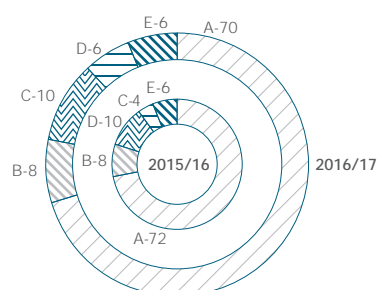
Finance income and expenses and income taxes are managed on a Group basis and are not allocated to operating business segments.

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

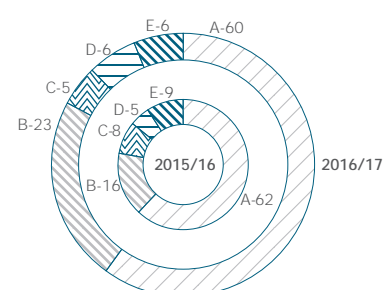
Segmental Results, Assets and Liabilities

Group	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Electro-Mechanical, Bio-Medical and Marine Engineering		Total	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Business Segment Turnover and Results												
Total segment revenue	31,528,735	27,323,634	4,469,690	3,699,413	4,440,746	3,934,088	2,666,122	1,602,575	2,750,667	2,188,449	45,855,960	38,748,159
Inter-segment revenue	(118,844)	(40,754)	(1,002,417)	(819,969)	(126,259)	(73,286)	(85,285)	(43,689)	(30,165)	(20,711)	(1,362,970)	(998,409)
Total external revenue	31,409,891	27,282,880	3,467,273	2,879,444	4,314,487	3,860,802	2,580,837	1,558,886	2,720,502	2,167,738	44,492,990	37,749,750
Segment results	1,944,224	1,946,405	727,806	492,275	166,970	258,682	205,934	169,523	200,196	277,605	3,245,130	3,144,490
Unallocated other income	-	-	-	-	-	-	-	-	-	-	173,403	86,141
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(1,726,168)	(1,599,343)
Finance costs- net	-	-	-	-	-	-	-	-	-	-	(648,973)	(251,229)
Income tax expense	-	-	-	-	-	-	-	-	-	-	(386,601)	(433,453)
Profit for the year	-	-	-	-	-	-	-	-	-	-	656,791	946,606
Business Segment Assets and Liabilities												
Segment assets	7,291,220	6,280,762	1,871,498	1,654,312	2,317,840	2,466,779	1,419,580	1,132,248	1,913,840	1,644,984	14,813,978	13,179,085
Unallocated assets	-	-	-	-	-	-	-	-	-	-	7,945,440	7,153,559
Total assets											22,759,418	20,332,644
Segment liabilities	5,137,551	2,641,101	489,660	520,752	825,682	647,725	292,627	246,404	252,813	217,318	6,998,333	4,273,300
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	5,596,143	6,069,665
Equity	-	-	-	-	-	-	-	-	-	-	10,164,942	9,989,679
Total equity and liabilities											22,759,418	20,332,644
Other Information												
Capital expenditure	81,263	27,792	94,312	63,364	18,189	10,320	6,295	4,487	15,535	15,576	215,594	121,539
Unallocated capital expenditure	-	-	-	-	-	-	-	-	-	-	529,869	162,540
Depreciation and amortisation	29,487	25,541	112,265	97,039	10,309	12,762	5,547	5,412	9,555	8,973	167,163	149,727
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	176,816	168,977

SEGMENT REVENUE - GROUP (%)



SEGMENT RESULTS- GROUP (%)



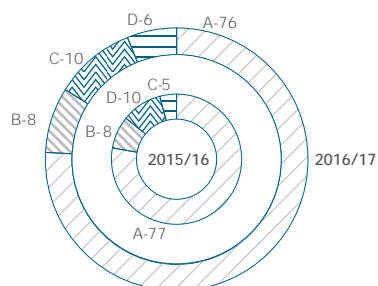
IN LINE WITH YOUR EXPECTATIONS

Section 4 - Specific Accounting Policies and Notes

Segmental Results, Assets and Liabilities

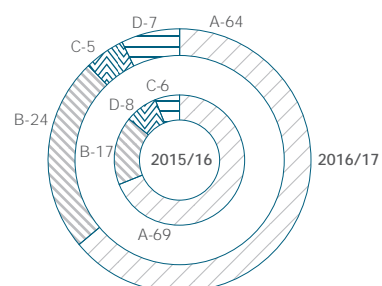
Company	Vehicles - Sales		Vehicles - After Services		Marketing and Distribution		Construction and Material Handling Equipment		Total	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
For the year ended 31st March										
Business Segment Turnover and Results										
Total segment revenue	31,528,735	27,323,634	4,469,690	3,699,412	4,217,361	3,732,425	2,666,122	1,602,575	42,881,908	36,358,046
Inter-segment revenue	(118,844)	(40,713)	(999,380)	(815,879)	(114,840)	(54,533)	(85,285)	(43,689)	(1,318,349)	(954,814)
Total external revenue	31,409,891	27,282,921	3,470,310	2,883,533	4,102,521	3,677,892	2,580,837	1,558,886	41,563,559	35,403,232
Segment results	1,944,224	1,946,405	727,806	492,275	167,067	237,103	205,934	169,523	3,045,031	2,845,306
Unallocated other income	-	-	-	-	-	-	-	-	269,638	103,147
Unallocated expenses	-	-	-	-	-	-	-	-	(1,758,278)	(1,582,953)
Finance costs - net	-	-	-	-	-	-	-	-	(649,989)	(273,458)
Income tax expense	-	-	-	-	-	-	-	-	(313,370)	(352,319)
Profit for the year									593,032	739,723
Business Segment Assets and Liabilities										
Segment assets	7,291,220	6,280,762	1,871,498	1,654,312	2,317,840	2,466,779	1,419,580	1,132,248	12,900,138	11,534,101
Unallocated assets	-	-	-	-	-	-	-	-	8,467,386	7,719,227
Total assets									21,367,524	19,253,328
Segment liabilities	5,137,551	2,641,101	489,660	520,752	825,682	647,725	292,627	246,404	6,745,520	4,055,982
Unallocated liabilities	-	-	-	-	-	-	-	-	5,374,933	6,062,920
Equity	-	-	-	-	-	-	-	-	9,247,071	9,134,426
Total equity and liabilities									21,367,524	19,253,328
Other Information										
Capital expenditure	81,263	27,792	94,312	63,364	18,189	10,320	6,295	4,487	200,059	105,963
Unallocated capital expenditure	-	-	-	-	-	-	-	-	522,137	162,676
Depreciation and amortisation	29,487	25,541	112,265	97,039	10,309	12,762	5,547	5,412	157,608	140,754
Unallocated depreciation and amortisation	-	-	-	-	-	-	-	-	180,451	172,586

SEGMENT REVENUE - COMPANY (%)



A - Vehicles - Sales
 B - Vehicles - After Services
 C - Marketing and Distribution
 D - Construction and Material Handling Equipment

SEGMENT RESULTS - COMPANY (%)



4.3 Other Operating Income/(Expenses)

Accounting Policy

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

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

Gains or losses on sale of property, plant and equipment

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

Dividend income

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

Other Operating Income				
For the year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Sundry income	155,803	69,618	163,192	74,207
Dividend income	298	298	88,545	11,368
Gains on sale of property, plant and equipment	17,302	16,225	17,901	17,572
	173,403	86,141	269,638	103,147

4.4 Finance Income and Costs

Accounting Policies

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

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables). Interest expense is recognised using the effective interest method.

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	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest income	13,536	23,496	12,397	21,060
Net foreign exchange gain	193,674	195,583	185,992	173,518
Finance income	207,210	219,079	198,389	194,578
Interest on long-term borrowings	(96,546)	(97,957)	(96,546)	(97,957)
Interest on short-term borrowings	(759,637)	(372,351)	(751,832)	(370,079)
Finance costs	(856,183)	(470,308)	(848,378)	(468,036)
Net finance costs recognised in profit or loss	(648,973)	(251,229)	(649,989)	(273,458)

IN LINE WITH YOUR EXPECTATIONS

Section 4 - Specific Accounting Policies and Notes

4.5 Profit Before Tax

Profit before tax is stated after charging/(reversing) the following:

For the year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Directors' emoluments				
- Short-term employment benefits	398,816	257,560	386,694	238,649
- Post-employment benefits	71,635	53,650	69,775	49,845
Auditors' remuneration				
- Audit and audit-related services	5,181	4,807	4,302	3,925
- Non-audit services	679	629	405	375
Depreciation on property, plant and equipment	326,354	301,921	320,445	297,150
Amortisation of intangible assets and lease rentals paid in advance	17,625	16,783	17,614	16,190
Provision for impairment of trade receivables	77,463	217,012	50,819	195,552
Provision for slow moving inventories	143,855	6,215	140,333	16,423
Donations	6,013	2,809	5,834	2,248
Legal fees	22,649	25,186	20,817	23,968
Staff expenses (Note 4.5.1)	2,378,629	2,072,300	2,034,805	1,837,805

4.5.1 Staff Expenses

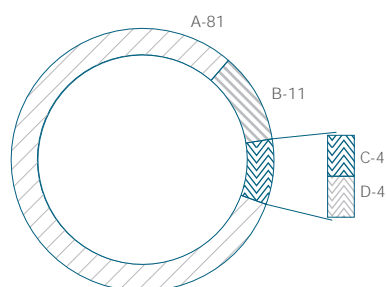
Accounting Policy

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

For the year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Defined contribution plan cost	265,400	224,664	231,405	197,128
Employee benefit obligation costs (Note 4.23.1)	97,439	78,492	88,755	71,859
Training expenses	95,237	50,871	77,577	37,903
Salaries and wages	1,920,553	1,718,273	1,637,068	1,530,915
	2,378,629	2,072,300	2,034,805	1,837,805
Average number of employees for the year	1,649	1,554	1,482	1,401

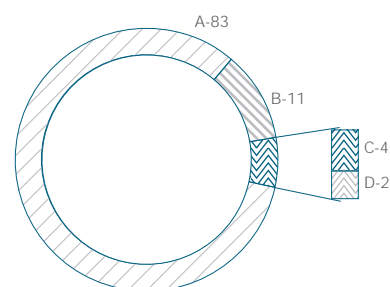
The average number of employees is calculated by averaging the number of employees as at the year end in the current and previous year.

STAFF EXPENSES - GROUP 2017 (%)



A - Salaries and wages
B - Defined contribution plan cost
C - Employee benefit obligation costs
D - Training expenses

STAFF EXPENSES - GROUP 2016 (%)



4.6 Income Tax

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 comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous 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, as at 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.

Income Tax Expense	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
For the year ended 31st March				
Current Tax Expense				
Current tax on profit for the year (Note 4.6.1)	231,544	259,487	166,371	178,413
Under provision in respect of previous years *	70,707	110,756	70,574	110,287
10% withholding tax on inter-company dividend	9,805	1,231	-	-
	312,056	371,474	236,945	288,700
Deferred Tax Expense				
Origination of temporary differences (Note 4.6.2)	74,545	61,979	76,425	63,619
Total income tax expense	386,601	433,453	313,370	352,319
Effective tax rate (%)-including deferred tax	37%	31%	35%	32%
Effective tax rate (%)-excluding deferred tax	30%	27%	26%	26%

* A provision of Rs. 57.6 million has been recorded this year with regard to the tax assessment raised in the year of assessment 2012/13. In respect of the tax assessment raised in the year of assessment 2011/12, a provision of Rs. 103.6 million was recorded in year 2015/16.

IN LINE WITH YOUR EXPECTATIONS

Section 4 - Specific Accounting Policies and Notes

4.6.1 Reconciliation of Accounting Profit to Income Tax Expense

For the year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Profit before taxation	1,043,392	1,380,059	906,402	1,092,042
Disallowable expenses	786,771	628,990	733,517	587,858
Allowable expenses	(815,493)	(846,648)	(785,210)	(804,594)
Income not liable for tax	(102,589)	(16,739)	(89,815)	(12,013)
Qualifying payments	(170,650)	(226,642)	(170,650)	(226,103)
Taxable income	741,431	919,020	594,244	637,190
Income tax				
Tax at 28%	231,531	259,487	166,358	178,413
Tax at 12%	13	-	13	-
Current tax on profit for the year	231,544	259,487	166,371	178,413

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

The companies within the Group are liable to income tax at 28%. The tax on export profits is 12%.

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	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Statement of Profit or Loss (Note 4.24.2)	74,545	61,979	76,425	63,619
Other Comprehensive Income (Note 4.24.2)	(11,423)	(6,921)	(10,980)	(6,318)
	63,122	55,058	65,445	57,301

4.7 Earnings Per Share-Basic and Diluted

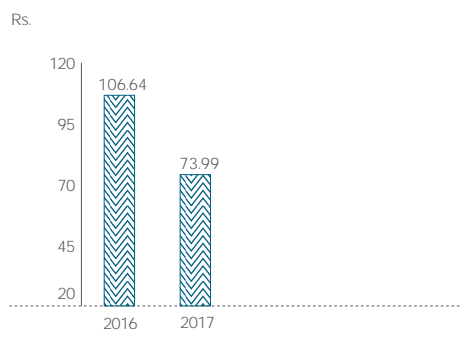
Accounting Policy-Measurement basis

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

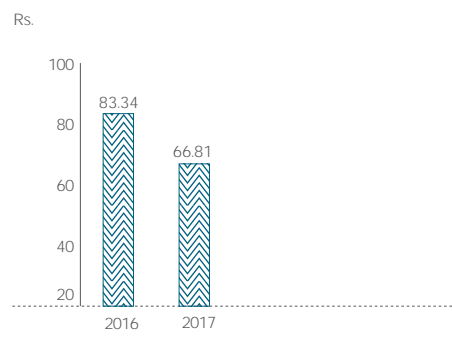
The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding during the year.

For the year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Profit attributable to ordinary shareholders (Rs.'000)	656,791	946,606	593,032	739,723
Weighted average number of ordinary shares	8,876,437	8,876,437	8,876,437	8,876,437
Earnings per ordinary share-basic and diluted (Rs.)	73.99	106.64	66.81	83.34

EARNINGS PER SHARE - GROUP



EARNINGS PER SHARE - COMPANY



4.8 Dividends

For the year ended 31st March	Company	
	2017 Rs.'000	2016 Rs.'000
Interim dividend paid	213,034	-
Final dividend approved	-	239,664
	213,034	239,664
Dividend per share (Rs.)	24.00	27.00

An Interim dividend of Rs. 24.00 per share was paid on 31st March 2017 to the shareholders of the Company for the Financial Year 2016/17. (No interim dividend was paid in 2015/16). A withholding tax of 10% was paid on interim dividend paid.

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 interim dividend. A statement of solvency completed and duly signed by the Directors on 14th March 2017 has been audited by Messrs KPMG, Chartered Accountants.

4.9 Property, Plant and Equipment

Accounting Policy

Basis of recognition

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

Basis of measurement

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.

IN LINE WITH YOUR EXPECTATIONS

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When an asset's carrying value is higher than its estimated recoverable amount, the carrying value is written down to its recoverable amount (Please refer Note 3.8 - Impairment of non-financial assets).

Revaluation model

The Group/Company applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Group policy is to revalue all freehold land 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 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 and the date that the asset is derecognised.

The estimated useful lives of assets are as follows:

Class of Asset	Year
Buildings	36 - 40
Buildings on leasehold land	Over the lease period
Plant and machinery	08-13
Tools and implements	03-04
Motor vehicles	03-04
Furniture and fittings	09-13
Office equipment and electrical fittings	06-10
Computer hardware and software	03-04

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

Carrying Value of Property, Plant and Equipment

Group	Freehold Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total	2016
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	2017 Rs.000	Rs.000
Cost or Revalued Amount										
At the beginning of the year	4,391,922	2,412,146	238,809	686,889	257,313	539,137	224,003	556,317	9,306,536	9,150,137
Additions	68,107	12,091	1,385	33,756	31,672	168,139	8,104	26,154	349,408	166,550
Transferred from capital work-in-progress	-	235,900	11,153	47,318	7,924	-	26,297	51,102	379,694	92,285
Disposals	-	(4,984)	(332)	(7,698)	(64)	(67,614)	(15,712)	(29,469)	(125,873)	(102,436)
Transfers	-	(25,538)	16,869	(5,813)	(888)	-	1,264	14,106	-	-
At the end of the year	4,460,029	2,629,615	267,884	754,452	295,957	639,662	243,956	618,210	9,909,765	9,306,536
Depreciation										
At the beginning of the year	-	242,433	83,501	248,523	204,047	338,504	186,754	221,252	1,525,014	1,304,598
Charge for the year	-	63,322	31,117	50,068	26,661	83,909	20,494	50,783	326,354	301,921
On disposals	-	(2,192)	(17)	(7,435)	(61)	(44,398)	(15,450)	(27,888)	(97,441)	(81,505)
Transfers	-	(3,448)	5,323	(2,782)	(237)	-	481	663	-	-
At the end of the year	-	300,115	119,924	288,374	230,410	378,015	192,279	244,810	1,753,927	1,525,014
Carrying amount before capital work-in-progress	4,460,029	2,329,500	147,960	466,078	65,547	261,647	51,677	373,400	8,155,838	7,781,522
Capital work-in-progress at cost										
At the beginning of the year	-	128,531	-	4,792	2,251	-	9,247	3,485	148,306	126,138
Additions	75	236,880	16,682	48,330	7,861	-	17,310	47,835	374,973	117,529
Transferred to PPE	-	(235,900)	(11,153)	(47,318)	(7,923)	-	(26,297)	(51,102)	(379,693)	(92,285)
Derecognition	-	(264)	-	-	-	-	(125)	-	(389)	(3,076)
At the end of the year	75	129,247	5,529	5,804	2,189	-	135	218	143,197	148,306
Carrying amount as at 31st March 2017	4,460,104	2,458,747	153,489	471,882	67,736	261,647	51,812	373,618	8,299,035	
Carrying amount as at 31st March 2016	4,391,922	2,298,244	155,308	443,158	55,517	200,633	46,496	338,550		7,929,828

Carrying Value of Property, Plant and Equipment

Company	Freehold Land	Buildings and Premises	Buildings on Leasehold Land	Plant and Machinery	Tools and Implements	Motor Vehicles	Computer Hardware and Software	Electrical Fixtures, Fittings and Office Equipment	Total	2016
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	2017 Rs.000	Rs.000
Cost or Revalued Amount										
At the beginning of the year	4,391,922	2,443,252	238,809	655,815	235,063	533,688	202,925	555,581	9,257,055	9,112,021
Additions	68,107	12,109	1,385	29,689	26,126	160,079	2,806	25,840	326,141	151,110
Transferred from capital work-in-progress	-	235,900	11,153	47,318	7,923	-	26,297	51,102	379,693	92,548
Disposals	-	(3,943)	(332)	(7,061)	(64)	(67,615)	(14,598)	(28,369)	(121,982)	(98,624)
Transfers	-	(25,538)	16,869	(5,813)	(888)	-	1,264	14,106	-	-
At the end of the year	4,460,029	2,661,780	267,884	719,948	268,160	626,152	218,694	618,260	9,840,907	9,257,055
Depreciation										
At the beginning of the year	-	243,390	83,501	231,638	184,206	333,053	171,053	212,687	1,459,528	1,241,573
Charge for the year	-	64,103	31,117	47,768	24,714	83,780	17,722	51,241	320,445	297,150
On disposals	-	(1,879)	(17)	(6,798)	(61)	(44,398)	(14,337)	(26,866)	(94,356)	(79,195)
Transfers	-	(3,448)	5,323	(2,782)	(237)	-	481	663	-	-
At the end of the year	-	302,166	119,924	269,826	208,622	372,435	174,919	237,725	1,685,617	1,459,528
Carrying amount before capital work-in-progress	4,460,029	2,359,614	147,960	450,122	59,538	253,717	43,775	380,535	8,155,290	7,797,527
Capital work-in-progress at cost										
At the beginning of the year	-	128,531	-	4,792	2,251	-	9,247	3,485	148,306	126,457
Additions	75	236,880	16,682	48,330	7,861	-	17,310	47,835	374,973	117,529
Transferred to PPE	-	(235,900)	(11,153)	(47,318)	(7,923)	-	(26,297)	(51,102)	(379,693)	(92,548)
Derecognition	-	(264)	-	-	-	-	(125)	-	(389)	(3,132)
At the end of the year	75	129,247	5,529	5,804	2,189	-	135	218	143,197	148,306
Carrying amount as at 31st March 2017	4,460,104	2,488,861	153,489	455,926	61,727	253,717	43,910	380,753	8,298,487	
Carrying amount as at 31st March 2016	4,391,922	2,328,393	155,308	428,969	53,108	200,635	41,119	346,379		7,945,833

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2016/17 (2015/16 – Nil).

IN LINE WITH YOUR EXPECTATIONS

Section 4 - Specific Accounting Policies and Notes

4.9.1 Revaluation of Freehold Land

Freehold land was revalued as at 15th September 2014 by Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka) who is a professionally qualified independent valuer. The valuation method adopted was 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	Significant Unobservable Inputs	Extent	Freehold Land					
			Original Cost	Revalued Amount	Revalued Amount as No. of Times of Cost	Freehold Building Square Feet	Pledged	Mortgaged to Financial Institution
			Rs.'000	Rs.'000				
No. 65, Jetawana Road, Colombo 14	5,000,000 p.p	2A-0R-33.29P	414	1,523,320	3,679.52	85,272	-	-
No. 56, K. Cyril C. Perera Mawatha, Colombo 14	4,000,000 p.p							
Sanctioned Street Line	2,000,000 p.p							
No. 61, Jetawana Road, Colombo 14	5,500,000 p.p	0A-1R-04.00P	18,014	242,000	13.43	11,418	-	-
No. 74, Jetawana Road, Colombo 14	5,000,000 p.p	0A-1R-14.56P	113,808	272,800	2.40	4,043	-	-
No. 800, Sirimawo Bandaranaika Mawatha, Colombo 14	1,500,000 p.p	3A-3R-14.00P	641,519	930,900	1.45	229,025	-	-
No. 135, Mahena Road, Siyambalape and No. 274/A, Kakunagaha Watta, Siyambalape	200,000 p.p	8A-3R-19.90P	37,606	281,700	7.49	96,300	-	-
Kirindiwela Road, Weliveriya	97,500 p.p	16A-0R-36.31P	89,958	248,625	2.76	219,880	✓	Commercial Bank
No. 360, Madampitiya Road, Mahawatta, Colombo 14	2,000,000 p.p	1A-2R-26.80P	301,599	533,600	1.77	-	-	-
No. 09, Ariyala, Kandy Road, Jaffna	122,600 p.p	1A-2R-26.72P	32,487	32,700	1.01	38,675	-	-
Yaggapitiya Watta, Dambulla Road, Kurunegala	70,000 p.p	5A-0R-0P	54,599	56,000	1.03	-	-	-
No. 23, Kaldemulla Road, Ratmalana	637,500 p.p	0A-3R-27.04P	92,102	93,738	1.02	17,323	-	-
No. 63 & 63 A Jetawana Road, Colombo 14	-	0A-1R-08.75P	176,539	176,539*	-	13,294	-	-
Hunuketalandu, Nayakubura, Walgamwewa	-	29A-0R-27.85P	68,107	68,107*	-	-	-	-
Total			1,626,752	4,460,029		715,230		

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

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. 768.3 million (2015/16 - Rs. 762.2 million) and Rs. 717.9 million (2015/16 - Rs. 720 million) respectively.

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

Land and buildings with a carrying value of Rs. 248 million (2015/16 - Rs. 248 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.

4.10 Lease Rentals Paid in Advance

Accounting Policy

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

Carrying Value of Lease Rentals Paid in Advance				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Cost				
At the beginning of the year	39,938	39,938	39,938	39,938
Additions during the year	-	-	-	-
At the end of the year	39,938	39,938	39,938	39,938
Accumulated Amortisation				
At the beginning of the year	13,207	11,002	13,207	11,002
Amortisation for the year	2,205	2,205	2,205	2,205
At the end of the year	15,412	13,207	15,412	13,207
Carrying amount at the end of the year	24,526	26,731	24,526	26,731
Current portion of lease rentals paid (Note 4.17)	2,205	2,205	2,205	2,205
Non-current portion of lease rentals paid	22,321	24,526	22,321	24,526
Carrying amount at the end of the year	24,526	26,731	24,526	26,731

4.10.1 Details of Lease Rentals Paid in Advance

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

4.11 Intangible Assets

Accounting Policy

Basis of recognition

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

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. 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. These assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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Intangible assets mainly represent cost of computer software and the amortisation rate 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.

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.

Carrying Value of Intangible Assets				
	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
As at 31st March				
Cost				
At the beginning of the year	65,089	65,089	62,092	62,092
Additions during the year	21,082	-	21,082	-
Disposals during the year	(1,358)	-	(1,358)	-
At the end of the year	84,813	65,089	81,816	62,092
Accumulated Amortisation				
At the beginning of the year	45,512	30,934	42,533	28,548
Amortisation for the year	15,420	14,578	15,409	13,985
Disposals during the year	(170)	-	(170)	-
At the end of the year	60,762	45,512	57,772	42,533
Carrying amount at the end of the year	24,051	19,577	24,044	19,559

4.12 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.

Accounting Estimate - Provision for Impairment

An impairment assessment was carried out as at 31st March 2017 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 4.12.1 was considered to be adequate as at reporting date.

Carrying Value of Investments in Subsidiaries			
As at 31st March	Percentage of Holding (%)	Company	
		2017 Rs.'000	2016 Rs.'000
Unquoted Investment - Ordinary Shares			
DIMO (Private) Ltd - 25,000 ordinary shares	100	250	250
DIMO Industries (Private) Ltd - 2,305,000 ordinary shares	100	23,050	23,050
DIMO Travels (Private) Ltd - 500 ordinary shares	100	50	50
		23,350	23,350
Impairment provision (Note 4.12.1)		(61)	-
		23,289	23,350

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

4.12.1 Movement in Provision for Impairment of Investments in Subsidiaries

As at 31st March	Company	
	2017 Rs:000	2016 Rs:000
At the beginning of the year	-	-
Provision for impairment	61	-
At the end of the year	61	-

4.13 Fair value of Assets and Liabilities

Accounting Policies

Financial assets

Initial recognition and measurement

The Group classifies financial assets at initial recognition as available-for-sale financial assets or loans and receivables 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 permitted and required.

All the financial assets are initially recognised at fair value plus directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification. Details of different types of financial assets recognised in the Statement of Financial Position are given in Notes 4.14 and 4.16 on pages 150 and 151.

Financial assets - available-for-sale (AFS)

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale financial assets or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets consist of investments in quoted shares held for earnings on income or for capital appreciation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly consist of trade and other receivables.

Derecognition of financial assets

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

The Group classifies financial liabilities at initial recognition as other financial liabilities. At the end of each reporting period all classifications are re-evaluated to the extent that such classification is permitted and required.

All the financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Other financial liabilities mainly consist of trade and other payables and bank borrowings.

The subsequent measurement of financial liabilities depends on their classification. Details of financial liabilities recognised in the Statement of Financial Position are given in Notes 4.22 and 4.27 on pages 154 and 160.

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.

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4.13.1 Financial Assets and Liabilities by Category

Financial Assets				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
i. Financial assets at fair value through profit or loss	-	-	-	-
ii. Held-to-maturity (HTM)	-	-	-	-
iii. Loans and receivables (L&R)				
- Trade and other receivables	4,276,799	3,877,074	3,243,893	3,092,234
- Cash and cash equivalents	281,799	176,140	269,556	164,243
- Amounts due from subsidiaries	-	-	79,319	53,714
iv. Available-for-sale (AFS)				
- Financial assets-available-for-sale	7,825	7,179	7,804	7,156
Total financial assets	4,566,423	4,060,393	3,600,572	3,317,347

Financial Liabilities				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
i. Financial liabilities at fair value through profit or loss	-	-	-	-
ii. Other financial liabilities				
- Current portion of long-term borrowings	319,425	398,101	319,425	398,101
- Long-term borrowings	590,100	907,030	590,100	907,030
- Short-term borrowings	7,472,692	5,179,865	7,406,351	5,147,647
- Trade payables	1,681,344	1,645,819	1,563,181	1,565,629
- Amounts due to subsidiaries	-	-	195,149	382,855
Total financial liabilities	10,063,561	8,130,815	10,074,206	8,401,262

Fair value of assets and liabilities

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments;

Level 2: Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: Valuation techniques that use inputs that have a significant effect on the recorded fair values that are not based on observable market data.

Non-financial assets measured at fair value

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

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

As at 31st March		Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Financial assets					
Classified as available-for-sale	Level 1	7,825	7,179	7,804	7,156
	Level 2	-	-	-	-
	Level 3	-	-	-	-
Non-financial assets					
Freehold land	Level 1	-	-	-	-
	Level 2	-	-	-	-
	Level 3	4,460,029	4,391,922	4,460,029	4,391,922

Financial liabilities are not measured at fair value.

4.13.2 Financial Risk Management

The Group has exposure mainly to the following risks from financial instruments:

- Market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk)
- Credit risk
- 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 are discussed in the Risk Management Report on pages 56 to 61.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income 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

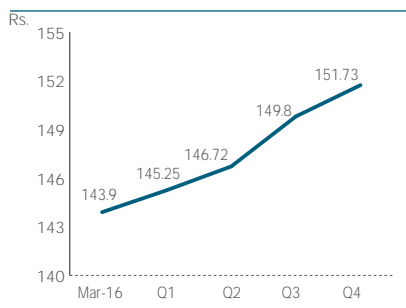
The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of Sri Lankan Rupee (LKR) against the US Dollar (USD), Euro (EUR) and Japanese Yen (JPY). Group's functional currency is the Sri Lankan Rupee (LKR) in which most of the transactions are denominated and all other currencies are considered foreign currencies for reporting purpose. The Group had taken measures to manage risk by having foreign currency trade receivables and foreign currency bank account balances to cover the exposure on foreign currency payables. 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.

Sensitivity Analysis - Based on exchange rate fluctuation against Sri Lankan Rupee					
		Group		Company	
		2017	2016	2017	2016
US Dollar (USD)					
% of Appreciation/(depreciation) during the financial year		2.75	9.95	2.75	9.95
1% change impact to profitability by- Rs.'000		2,160	251	1,472	110
Euro (EUR)					
% of Appreciation/(depreciation) during the financial year		(2.76)	14.97	(2.76)	14.97
1% change impact to profitability by- Rs.'000		594	941	120	504
Japanese Yen (JPY)					
% of Appreciation/(depreciation) during the financial year		3.59	17.58	3.59	17.58
1% change impact to profitability by- Rs.'000		3	183	(2)	43

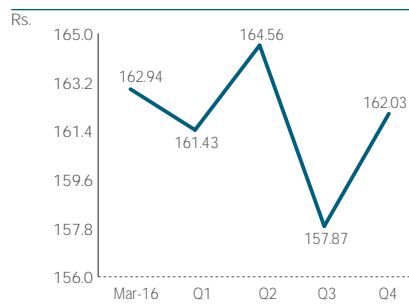
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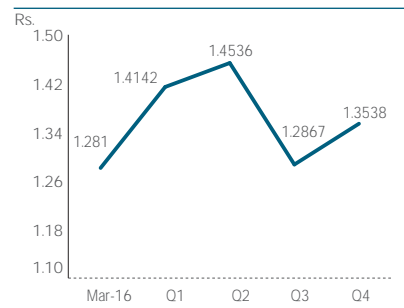
EXCHANGE RATE - US DOLLAR



EXCHANGE RATE - EURO



EXCHANGE RATE - JAPANESE YEN



(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating rates. The Group manages its interest rate risk by monitoring and managing cash flows, negotiating favourable rates on borrowings and deposits including and maintaining an appropriate combination of fixed and floating rate debt.

Sensitivity Analysis

If interest rates had been higher/lower by 100 basis points and all other variables were held constant, the profit before tax for the year ended 31st March 2017 would decrease/increase by Rs. 402,146 (2015/16 Rs. 5.7 million). This is mainly attributable to the 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 financial assets available-for-sale.

The value of these investments is subjected to the performance of investee company and the factors that affects the status of the stock market. The Group manages the

equity price risk through diversification and by placing limits on individual and total equity instruments. The Board of Directors reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

(b) Credit risk

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.

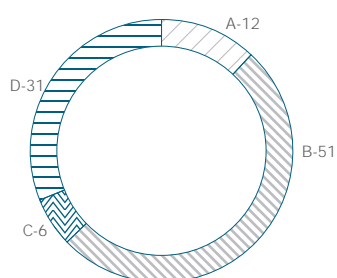
Credit risk exposure

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.

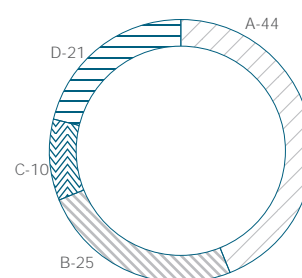
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade and other receivables	4,276,799	3,877,074	3,243,893	3,092,234
Amounts due from subsidiaries	-	-	79,319	53,714
Cash and cash equivalents	281,799	176,140	269,556	164,243
Total credit risk exposure	4,558,598	4,053,214	3,592,768	3,310,191

Balances with banks				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Fitch Rating				
AAA	30,020	65,627	30,020	65,627
AA+	129,870	37,457	129,845	37,457
AA	14,597	14,744	6,284	5,643
AA-	78,915	31,708	78,871	31,708
Total bank balances (Note 4.18)	253,402	149,536	245,020	140,435

BALANCES WITH BANKS - GROUP 2017 (%)



BALANCES WITH BANKS - GROUP 2016 (%)



(c) Liquidity risk

This is the risk that the Group will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to source of funding is sufficiently available.

Maturity profiles and specific risk management strategies with regard to trade payables and bank borrowings are given in the respective Notes.

4.13.3 Capital Risk Management

The objectives of the capital management can be summarised as follows:

- Appropriately allocate capital to meet strategic objectives.
- Enable the Group to face any economic downturn/ crisis situation.

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence in order to sustain future development of the business. The impact of the shareholders' return is also recognised and the Group recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company manages its capital structure and adjusts it accordingly in line with changes in global and local economic and market conditions and its overall risk appetite.

Given below is a summary of the capital structure of the Group:

As at 31st March	2017 Rs.'000	2016 Rs.'000
Long-term borrowings (Note 4.22.1.1)	909,525	1,305,131
Equity	10,164,942	9,989,679
Total equity and long-term borrowings	11,074,467	11,294,810
Gearing ratio (%)	8%	12%

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4.14 Financial Assets - Available-for-Sale (AFS)

Accounting Policy

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in equity through Other Comprehensive Income in the available-for-sale reserve. When these financial assets are derecognised, the gain or loss accumulated in equity is 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 available-for-sale financial assets are recognised in Profit or Loss as 'Other Operating Income' when the right to receive the payment has been established.

Accounting Estimate - Assessment of Impairment

At each reporting date the Group assesses whether there is any objective evidence that an asset or a group of assets is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a 'Significant' or 'Prolonged' decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'Prolonged' against the period for which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative impairment loss measured as the difference between the acquisition cost and the current fair value, is recognised in Profit or Loss and removed from Other Comprehensive Income (available-for-sale reserve).

Carrying Value of Available-for-Sale Financial Assets										
	Group					Company				
	No. of Shares	Market Value	Total Cost	Fair Value		No. of Shares	Market Value	Total Cost	Fair Value	
As at 31st March		2017 (Per Share)	Rs.'000	2017 Rs.'000	2016 Rs.'000		2017 (Per Share)	Rs.'000	2017 Rs.'000	2016 Rs.'000
Quoted Investments										
Ordinary Shares										
Hunas Falls Hotels PLC	900	46.30	14	42	46	450	46.30	7	21	23
Hatton National Bank PLC (non-voting)	33,943	185.00	700	6,389	5,804	33,943	185.00	700	6,389	5,804
Ceylinco Insurance PLC (non-voting)	1,700	820.00	298	1,394	1,329	1,700	820.00	298	1,394	1,329
			1,012	7,825	7,179			1,005	7,804	7,156

4.15 Inventories

Accounting Policy

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories that are not interchangeable are recognised by using specific identification of their individual cost and other inventories are based on weighted average cost formula. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition but excluding borrowing cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

Goods-in-transit are recognised at purchase cost.

Carrying Value of Inventories				
	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
As at 31st March				
Stock-in-trade	7,614,666	6,354,811	7,527,741	6,282,113
Work-in-progress (at cost)	406,459	304,979	135,621	105,550
Provision for slow moving inventories (Note 4.15.1)	(405,821)	(261,966)	(385,805)	(245,472)
	7,615,304	6,397,824	7,277,557	6,142,191
Goods-in-transit	1,326,407	1,209,468	1,296,808	1,184,020
Total inventories at the lower of cost and net realisable value	8,941,711	7,607,292	8,574,365	7,326,211

4.15.1 Movement in Provision for Slow Moving Inventories

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	261,966	255,751	245,472	229,049
Provision for slow moving inventories	143,855	6,215	140,333	16,423
At the end of the year	405,821	261,966	385,805	245,472

4.16 Trade and Other Receivables

Accounting Policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other financial nature receivables are recognised as other receivables. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are 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

The Group/Company considers 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. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Receivables that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group/Company uses historical information on the probability of default, the timing of recoveries, and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested historical trends.

Carrying Value of Trade and Other Receivables				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade receivables	4,815,895	4,339,781	3,693,389	3,491,916
Provision for impairment (Note 4.16.1)	(544,962)	(467,499)	(454,966)	(404,147)
	4,270,933	3,872,282	3,238,423	3,087,769
Other receivables	5,866	4,792	5,470	4,465
Carrying value	4,276,799	3,877,074	3,243,893	3,092,234

4.16.1 Movement in Provision for Impairment of Trade Receivables

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	467,499	250,487	404,147	208,595
Provision for impairment of trade receivables	77,463	217,012	50,819	195,552
At the end of the year	544,962	467,499	454,966	404,147

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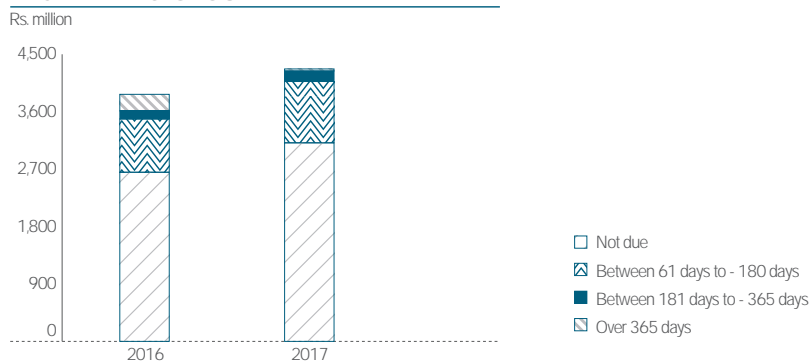
Section 4 - Specific Accounting Policies and Notes

4.16.2 Age Analysis of Trade Receivables after Provision for Impairment

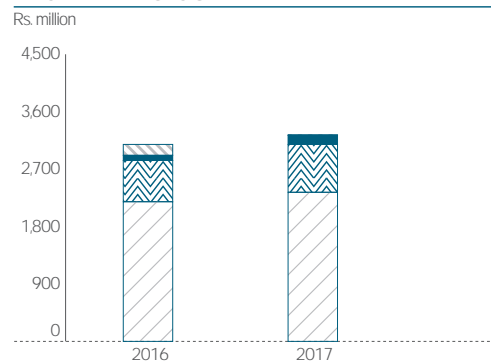
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Not due	3,112,656	2,651,294	2,337,178	2,188,878
Due but not impaired				
Between 61 days to 180 days	960,673	835,201	750,058	646,317
Between 181 days to 365 days	165,408	126,596	141,466	81,454
Over 365 days	32,196	259,191	9,721	171,120
Net trade receivables - maximum exposure to credit risk	4,270,933	3,872,282	3,238,423	3,087,769
Provision for impairment	544,962	467,499	454,966	404,147
Gross trade receivables	4,815,895	4,339,781	3,693,389	3,491,916

With respect to trade receivables as at the reporting date, past due but not impaired, based on credit history, there are no indications that customers will not be able to meet their obligations. No indication of default is identifiable for trade receivables that are neither past due nor impaired.

AGE ANALYSIS OF NET TRADE RECEIVABLES-GROUP



AGE ANALYSIS OF NET TRADE RECEIVABLES-COMPANY



4.16.3 Carrying amount of trade receivables are denominated in the following currencies

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Currency				
Sri Lankan Rupees	4,097,608	3,680,802	3,149,450	2,925,636
USD	134,619	130,372	65,540	125,855
Euro	37,353	57,341	22,571	32,685
Japanese Yen	668	399	177	399
Other	685	3,368	685	3,194
	4,270,933	3,872,282	3,238,423	3,087,769

Trade receivables jointly with inventories have been pledged as security for short-term borrowings up to a limit of Rs. 95 million (2015/16 - Rs. 95 million).

4.16.4 Terms of Trade and Other Receivables

Trade and other receivables are non-interest-bearing and are expected to be received within 60 days.

4.17 Other Current Assets

Accounting Policy

The Group/Company classifies all non financial current assets under other current assets. Other current assets mainly comprise of advances, deposits, prepayments and current portion of the lease rentals paid in advance.

Advances and deposits are carried at historical value less provision for impairment. Prepayments are amortised over the period during which it is utilised and carried at historical value less amortisation charge and any impairment.

Carrying Value of Other Current Assets				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Deposits and prepayments	647,327	654,154	577,837	562,798
Lease rentals paid in advance (Note 4.10)	2,205	2,205	2,205	2,205
Other receivables	245,918	32,958	244,404	31,499
	895,450	689,317	824,446	596,502

4.18 Cash and Cash Equivalents

Accounting Policy

Cash and cash equivalents comprise of cash at bank and in hand balances. Cash and bank balances are stated at recoverable values. There were no cash and cash equivalents held by the Group companies that were not available for use.

Bank overdrafts and short-term borrowings that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Carrying Value of Cash and Cash Equivalents				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Bank balances	253,402	149,536	245,020	140,435
Cash in hand	28,397	26,604	24,536	23,808
	281,799	176,140	269,556	164,243

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 149.

4.18.1 Carrying amount of cash and cash equivalents are denominated in the following currencies

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Currency				
Sri Lankan Rupees	173,234	109,193	161,005	97,296
USD	108,545	66,947	108,545	66,947
Euro	20	-	6	-
	281,799	176,140	269,556	164,243

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Section 4 - Specific Accounting Policies and Notes

4.19 Stated Capital

As at 31st March	Company			
	No. of Shares	2017 Rs.'000	No. of Shares	2016 Rs.'000
Ordinary Shares				
Issued and Fully-paid Ordinary Shares				
At the end of the year	8,876,437	425,297	8,876,437	425,297

4.20 Revenue Reserve

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	6,725,026	5,973,747	5,869,788	5,323,841
Dividends	(452,698)	(177,529)	(452,698)	(177,529)
Statement of Profit or Loss				
Profit for the year	656,791	946,606	593,032	739,723
Other Comprehensive Income				
Actuarial loss arising from employees benefits (Net of tax)	(29,372)	(17,798)	(28,233)	(16,247)
At the end of the year	6,899,747	6,725,026	5,981,889	5,869,788

4.21 Other Components of Equity

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	2,839,356	2,838,894	2,839,341	2,838,875
Other Comprehensive Income				
Net fair value gains on remeasuring financial assets-available-for-sale	542	462	544	466
At the end of the year	2,839,898	2,839,356	2,839,885	2,839,341

4.22 Long-term and Short-term Borrowings

Accounting Policy

Borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequently, they are stated at amortised cost, any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in Profit or Loss over the period of the loan using the effective interest method.

4.22.1 Carrying Value of Long-term Borrowings

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
i. Non-current portion of the long-term borrowings				
Term loans (Note 4.22.1.1)	590,100	907,030	590,100	907,030
Total non-current portion of long-term borrowings	590,100	907,030	590,100	907,030
ii. Current portion of the long-term borrowings				
Term loans (Note 4.22.1.1)	319,425	398,101	319,425	398,101
Total current portion of long-term borrowings	319,425	398,101	319,425	398,101

4.22.1.1 Movement and Classification of Long-term Borrowings

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	1,301,990	1,597,110	1,301,990	1,597,110
Loans obtained during the year	-	800,000	-	800,000
Repayments during the year	(394,900)	(1,117,662)	(394,900)	(1,117,662)
Exchange rate variance	-	22,542	-	22,542
At the end of the year (before adjusting interest payable)	907,090	1,301,990	907,090	1,301,990
Interest payable	2,435	3,141	2,435	3,141
At the end of the year	909,525	1,305,131	909,525	1,305,131
Classified as current liabilities (repayable within one year)	319,425	398,101	319,425	398,101
Classified as non current liabilities (repayable after one year)	590,100	907,030	590,100	907,030

4.22.1.2 Principal Amounts of Long-term Borrowings

Lender	Currency	Company		As at 31.03.2017 Rs.'000	Secured	Repayments Tenure
		2017 Rs.'000	2016 Rs.'000			
Commercial Bank of Ceylon PLC	LKR	400,000	400,000	37,030	✓	Repayable in 120 instalments commenced from February 2008
Commercial Bank of Ceylon PLC	LKR	600,000	600,000	310,000	-	Repayable in 60 instalments commenced from December 2014
Commercial Bank of Ceylon PLC	LKR	800,000	800,000	560,060	-	Repayable in 60 instalments commenced from October 2015
Total		1,800,000	1,800,000	907,090		

Details of land which have been pledged against the above bank loan facilities are disclosed in Note 4.9.3.

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Section 4 - Specific Accounting Policies and Notes

4.22.1.3 Analysis of Long-term Borrowings by the year of Repayment

As at 31st March	Commercial Bank	Bank of	Total	
	of Ceylon PLC	Ceylon	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement of Loans				
At the beginning of the year	1,226,990	75,000	1,301,990	1,597,110
Loans obtained during the year	-	-	-	800,000
Repayments during the year	(319,900)	(75,000)	(394,900)	(1,117,662)
Exchange rate variance	-	-	-	22,542
At the end of the year	907,090	-	907,090	1,301,990
Analysis of Long-term Borrowings by Period of Repayment				
Repayable - within 6 months from year end	159,960	-	159,960	209,980
- between 6 months and 1 year	157,030	-	157,030	184,980
- between 1 and 5 years from year end	590,100	-	590,100	907,030
- later than 5 years from year end	-	-	-	-
	907,090	-	907,090	1,301,990

4.22.2 Short-term Borrowings

As at 31st March	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short-term bank loans	7,349,669	4,984,543	7,306,939	4,977,399
Bank overdrafts	123,023	195,322	99,412	170,248
	7,472,692	5,179,865	7,406,351	5,147,647

Unutilised bank facilities as at 31st March 2017 amounted to Rs. 5,801.3 million (2015/16 - Rs. 6,217.8 million).

Short-term bank loans are repayable within a period of six months and details of inventories and trade receivables which have been pledged against the above short-term loan facilities are disclosed in Note 4.16.

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. The discount rate has been derived considering the yield of government bonds that have maturity dates approximating to the terms of the Group's obligations.

The liability is not externally funded.

Accounting Estimate

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of this obligation, such estimates are subject to significant uncertainty.

Carrying Value of Defined Benefit Obligation	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
As at 31st March				
Present value of unfunded obligation	626,158	500,505	583,912	468,525
At the beginning of the year	500,505	415,647	468,525	390,664
Current service cost	44,933	36,954	39,560	32,792
Interest cost	52,506	41,538	49,195	39,067
Actuarial loss	40,795	24,719	39,213	22,565
Paid during the year	(12,581)	(18,353)	(12,581)	(16,563)
At the end of the year	626,158	500,505	583,912	468,525

4.23.1 Defined Benefit Obligation Recognised in Profit or Loss and Other Comprehensive Income

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
As at 31st March				
Statement of Profit or Loss				
Current service cost	44,933	36,954	39,560	32,792
Interest cost	52,506	41,538	49,195	39,067
	97,439	78,492	88,755	71,859
Other Comprehensive Income				
Actuarial loss	40,795	24,719	39,213	22,565
	40,795	24,719	39,213	22,565
Total charge for the year	138,234	103,211	127,968	94,424

An actuarial valuation was carried out as at 31st March 2017 by Mr. M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries.

Actuarial Assumptions

Type of assumption	Description
Financial	
Rate of discount	11.50% p.a. (2015/16 - 10.50% p.a.)
Salary escalation rate	11.00% p.a. (2015/16 -10.00% p.a.)
Demographic	
Mortality-in service	A 67/70 mortality table, issued by the Institute of Actuaries, London
Normal retirement age	An executive employee - 60 years A non-executive employee - 55 years

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of five years of continuous service. The liability as required by the Payment of Gratuity Act for the Group and the Company as at 31st March 2017 amounted to Rs. 556.6 million and Rs. 519.0 million respectively.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected defined benefit obligation by the amounts shown below.

	Group		Company	
	1% Increase Rs.'000	1% Decrease Rs.'000	1% Increase Rs.'000	1% Decrease Rs.'000
Rate of discount	(23,909)	26,211	(21,880)	23,992
Salary escalation rate	28,483	(26,434)	26,092	(24,214)

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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 - Judgement Used

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available 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.

Carrying Value of Deferred Tax Assets/(Liabilities)				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Summary of net deferred tax assets/(liabilities)				
At the beginning of the year	(180,450)	(125,392)	(182,161)	(124,860)
Origination of temporary differences to Profit or Loss	(74,545)	(61,979)	(76,425)	(63,619)
Reversal of temporary differences to Other Comprehensive Income	11,423	6,921	10,980	6,318
At the end of the year (Note 4.24.1)	(243,572)	(180,450)	(247,606)	(182,161)
Made up as follows:				
Deferred tax assets	4,034	1,711	-	-
Deferred tax liabilities	(247,606)	(182,161)	(247,606)	(182,161)
	(243,572)	(180,450)	(247,606)	(182,161)

4.24.1 Reconciliation of Deferred Tax Assets and Liabilities

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Deferred Tax Liability				
Temporary difference arising from property, plant and equipment	(1,502,871)	(1,154,995)	(1,473,398)	(1,128,160)
Total temporary difference of deferred tax liability	(1,502,871)	(1,154,995)	(1,473,398)	(1,128,160)
Closing deferred tax liability @ 28%	(420,803)	(323,398)	(412,551)	(315,885)
Deferred Tax Assets				
Temporary difference arising from defined benefit obligation	626,158	500,505	583,911	468,525
Temporary difference arising from warranty provision	6,811	10,028	5,178	9,063
Total temporary difference of deferred tax assets	632,969	510,533	589,089	477,588
Closing deferred tax assets @ 28%	177,231	142,948	164,945	133,724
Net temporary differences	(869,902)	(644,462)	(884,309)	(650,572)
Net deferred tax liability	(243,572)	(180,450)	(247,606)	(182,161)

4.24.2 Movement in Deferred Tax Assets and Liabilities during the Year

	Group				Company			
	As at 01.04.2016	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2017	As at 01.04.2016	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	As at 31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment								
- Deferred tax liability	(323,398)	(97,405)	-	(420,803)	(315,885)	(96,666)	-	(412,551)
Retirement benefit obligation								
- Deferred tax asset	140,140	23,761	11,423	175,324	131,186	21,329	10,980	163,495
Warranty provision								
- Deferred tax asset	2,808	(901)	-	1,907	2,538	(1,088)	-	1,450
	(180,450)	(74,545)	11,423	(243,572)	(182,161)	(76,425)	10,980	(247,606)

4.25 Deferred Income

Accounting Policy

Undelivered free services relating to vehicle sales

The Company sells vehicles bundled with free services to the customers with warranty limitations on mileage or usage period. The unprovided free services are deferred at the time of selling the vehicles at its relative fair value and recognised as revenue when the recognition criteria are fulfilled i.e. upon provision of the service or expiration of entitled period or/and criteria, whichever occurs first.

Accounting Estimate

Relative fair value of free services

The amount charged by the service provider in respect of each service is recognised as the relative fair value of free services. These amounts are estimated using the combination of historical experience in service and price changes.

Carrying Value of Deferred Income	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March				
At the beginning of the year	354,755	173,243	158,313	123,584
Income deferred during the year	1,110,692	595,906	495,856	247,234
Income amortised during the year	(1,129,552)	(414,394)	(545,550)	(212,505)
At the end of the year	335,895	354,755	108,619	158,313

4.26 Provisions and Contingent Liabilities

Accounting Policy

Provisions

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset 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 the Financial Statements.

Provisions for extended warranty

The Company may offer extended warranties on vehicles on its own account in certain circumstances. The extended warranty is provided by giving a warranty period that goes beyond the warranty provided by manufacturers.

A provision for warranty is recognised when the underlying products are sold, based on the historical warranty data and a weighting of possible outcomes against their associated probabilities. The said extended warranty provision will be reversed upon expiration of the warranty period.

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Accounting Estimate

The Management considers likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. The timing and cost ultimately depend on the due process in the respective legal jurisdictions.

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Provision for litigation and claims	11,000	11,000	11,000	11,000
Provisions for extended warranty	-	3,748	-	3,748
Provisions for warranty	6,812	6,280	5,179	5,315
	17,812	21,028	16,179	20,063

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured. Further, contingent liabilities are not recognised in Statement of Financial Position but are disclosed unless its occurrence is remote.

Currently the Group/Company is involved in pending litigations and claims arising out of the normal conduct of the business. The Group/Company does not expect the pending litigations and claims, individually and in aggregate, to have a material impact on Group's financial position, operating profit or cash flow in addition to amounts accrued as provision for legal disputes. The disclosures relating to contingencies are set out in Note 5.2.

4.27 Trade Payables

Accounting Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Generally trade payables are due within 90 days.

Carrying Value of Trade Payables				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade payables	1,681,344	1,645,819	1,563,181	1,565,629

4.27.1 Review of Liquidity Risk

Trade payables are non-interest-bearing and have settlement periods less than 90 days. The quick assets ratio of the Group and the Company as at the year-end was 0.51 and 0.42 respectively (2015/16 - Group 0.56:1, Company 0.46:1). 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. 1,321 million as bills payable corresponding to goods shipped but not received. At the time of settlement of such bills, the Group will obtain short-term loans to cover the working capital cycle period of the imports.

Unutilised banking facilities are given in Note 4.22.2.

4.28 Other Current Liabilities

Accounting Policy

The Group classifies all non financial current liabilities under other current liabilities. Other current liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

Carrying Value of Other Current Liabilities				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Advanced received	347,444	247,961	324,903	153,568
Unclaimed dividend	7,996	6,440	7,996	6,440
Value Added Tax (VAT)	21,238	8,068	-	-
Other payables and accrued expenses	926,292	847,250	758,221	725,629
	1,302,970	1,109,719	1,091,120	885,637

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. Income tax liabilities are recorded at the amounts expected to be paid.

Carrying Value of Current Tax Asset/(Liability)				
As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Opening balance	(65,010)	1,265	(23,004)	3,301
Current tax for the year (Note 4.6)	(312,056)	(371,474)	(236,945)	(288,700)
	(377,066)	(370,209)	(259,949)	(285,399)
Tax paid during the year:				
Current tax and withholding tax	365,173	305,199	244,959	262,395
	365,173	305,199	244,959	262,395
Current tax liability	(11,893)	(65,010)	(14,990)	(23,004)
Made up as follows:				
Current tax asset	6,393	-	-	-
Current tax liability	(18,286)	(65,010)	(14,990)	(23,004)
	(11,893)	(65,010)	(14,990)	(23,004)

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4.30 Amounts Due (to)/from Subsidiaries

Name of the Company	DIMO (Private) Ltd	DIMO Industries (Private) Ltd	DIMO Travels (Private) Ltd	As at 31.03.2017	As at 31.03.2016
Shareholding	100%	100%	100%		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Opening balance due (to)/from subsidiaries	(382,855)	53,686	28	(329,141)	(77,170)
Sale of goods and services	9,692	-	-	9,692	23,618
Purchase of goods and services	(33,335)	(5,193)	-	(38,528)	(22,834)
Expenses incurred on behalf of subsidiaries	135,582	7,154	-	142,736	132,035
Fund transfers - net	74,138	23,495	149	97,782	(384,790)
Asset transfer	1,629	-	-	1,629	-
Closing balance due (to)/from subsidiaries	(195,149)	79,142	177	(115,830)	(329,141)

4.30.1 Amounts Due (to)/from Subsidiaries comprise:

As at 31st March	Company	
	2017 Rs.'000	2016 Rs.'000
Amounts due from subsidiaries	79,319	53,714
Amounts due to subsidiaries	(195,149)	(382,855)
Amounts due (to)/from subsidiaries	(115,830)	(329,141)

Section 5 - Other Disclosures

This section provides information on related party disclosures and other disclosures required by the Sri Lanka Accounting Standards.

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'.

5.1.1 (a) Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures', Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors of the Company (Executive and Non-Executive Directors) have been classified as KMP. As the Company is the ultimate parent of the subsidiaries (listed in Note 2.3), the Board of Directors of the Company has the authority and responsibility for planning or controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company (Executive and Non-Executive) are KMP of the Group.

Key Management Personnel (KMP) are entitled to discount schemes which are uniformly applicable to all employees of the Group.

Compensation to Key Management Personnel of the Company are as follows:

For the year ended 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Short-term employment benefits	398,816	257,560	386,694	238,649
Post-employment benefits	71,635	53,650	69,775	49,845
Total compensation applicable to Key Management Personnel	470,451	311,210	456,469	288,494

The Company also has an obligation towards a post-employment benefit plan for the Executive Directors. The liability arising from the post-employment obligation has been provided for, based on an actuarial valuation and is disclosed under Employee Benefits in Note 4.23 to the Financial Statements.

5.1.1 (c) Transactions with Close Family Members of Key Management Personnel (KMP)

Close family members are defined as spouse or dependant. A dependant is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

There were no transactions with the close family members during the year.

Officers who are employees of Diesel & Motor Engineering PLC and Directors of the subsidiaries and not of the Company have been classified as KMP of the respective subsidiary only.

The Group revenue includes sales made to Key Management Personnel amounting to Rs. 14.9 million. (2015/16- Rs. 3.2 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 KMP.

There are no share-based payments made to the Directors during the year.

No loans were granted to KMP of the Company.

5.1.2 Transactions with Companies in which Key Management Personnel (KMP) have Control or Significant Influence

There were no transactions with companies on which KMP have control.

The transactions with companies on which KMP have significant influence are disclosed in 'Directors' Interests in Contracts' on page 117.

IN LINE WITH YOUR EXPECTATIONS

Section 5 - Other Disclosures

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 2017.

5.2 Commitments and Contingencies

Capital Expenditure Commitments

Capital expenditure committed by the Board of Directors for which a provision has not been made in the Financial Statements amounted to approximately Rs. 894.2 million (2015/16 - Rs. 1,004.3 million).

Contingencies

Guarantees

The contingent liabilities as at 31st March 2017 on guarantees given by Diesel & Motor Engineering PLC, in respect of bank guarantees, bid bonds and performance bonds amounted to Rs. 1,326.3 million (2015/16 - Rs. 975.6 million).

Litigation Against the Company

The claims for lawsuits filed against the Company as at 31st March 2017 amounted to Rs. 30.3 million (2015/16 - Rs. 33.3 million). Although, there can be no assurance, the Directors believe, based on the information currently available that the ultimate resolution of such lawsuits are not likely to have a material effect on the results of operations, financial position or liquidity.

5.3 Operating Lease

The Group has leased a number of branches and office premises under operating leases. These leases have an average life of between five to ten years. Lease agreements include clauses to enable upward revision of the rental payments on

Future minimum rentals payable under non-cancellable operating leases are as follows:

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 (2015/16 - Rs. Nil).

Income tax assessments

Assessments were received in July 2012, December 2013 and July 2015 respectively based on normal tax rates. Appeals were lodged against the taxes assessed by the Department of Inland Revenue and the status of each of the appeals are as follows:

2009/2010 – The appeal was determined in favour of the Commissioner General of Inland Revenue by the Tax Appeals Commission, and a case stated has been filed with the Court of Appeal by an application made by the Company.

2010/2011 – An appeal made by the Company is currently with the Tax Appeals Commission.

2012/2013 – An appeal has been lodged with the Department of Inland Revenue within the stipulated time period for the assessment raised.

Having discussed with the independent legal and tax expert and based on information available, the contingent liability as at 31st March 2017 is estimated to be Rs. 233.4 million (2015/16 – Rs. 291.0 million).

a periodic basis to recent market conditions. There are no restrictions placed upon the Group by entering into these leases.

As at 31st March	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Within one year	84,282	71,463	61,895	50,596
Between one to five years	208,275	208,112	149,867	129,355
Over five years	104,732	67,376	104,732	65,338
Total operating lease commitments	397,289	346,951	316,494	245,289

5.4 Comparative Information

The comparative information is reclassified wherever necessary to conform to the current year's presentation and details are given below:

As at 31st March	Group			Company		
	2016 Rs. '000	Re- classification adjustment Rs. '000	Re classified 2016 Rs. '000	2016 Rs. '000	Re- classification adjustment Rs. '000	Re classified 2016 Rs. '000
Property, Plant and Equipment	7,935,112	(5,284)	7,929,828	7,951,099	(5,266)	7,945,833
Intangible Asset	14,293	5,284	19,577	14,293	5,266	19,559

Purchased software which were not integral to the functionality of the related equipment has been reclassified under Intangible Assets. These were previously reported under Property, plant and equipment.

5.5 Events Occurring After the Reporting Period

There were no material events that occurred after the reporting date that require adjustments to or disclosure in the Financial Statements.

Supplementary Information

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Appendix III - Independent Assurance Statement on Non-Financial Reporting	175
Appendix IV - Ten Year Summary	178
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Appendix I - Share Information

1 Stock Exchange Listing

The issued ordinary shares of Diesel & Motor Engineering PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Statement of Profit or Loss and Other Comprehensive Income for the year ended 31st March 2017 and the Audited Statement of Financial Position at that date have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

2 Shareholders

The number of Shareholders as at 31st March 2017 was 1,832 (1,770 as at 31st March 2016).

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	1,572	173,220	1.95	30	8,654	0.10	1,602	181,874	2.05
1,001 - 10,000	164	472,656	5.32	8	30,832	0.35	172	503,488	5.67
10,001 - 100,000	39	1,060,877	11.95	3	80,272	0.90	42	1,141,149	12.86
100,001 - 1,000,000	15	5,284,666	59.54	-	-	-	15	5,284,666	59.53
1,000,001 and over	1	1,765,260	19.89	-	-	-	1	1,765,260	19.89
Total	1,791	8,756,679	98.65	41	119,758	1.35	1,832	8,876,437	100.00

Categories of Shareholders	31st March 2017			31st March 2016		
	No.of Share holders	No.of Shares	%	No.of Share holders	No.of Shares	%
Individuals	1,747	5,533,193	62.34	1,686	5,513,766	62.12
Institutions	85	3,343,244	37.66	84	3,362,671	37.88
Total	1,832	8,876,437	100.00	1,770	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 2017 was Rs.559.90 (Rs. 549.70 as at 31st March 2016).

4 Dividend Payment

	2016/17 Rs.Mn	2015/16 Rs.Mn
Interim - Rs.24.00 per share (Final dividend of Rs.27.00 per share - 2015/16)	213,034,488	239,663,799

4 Share Trading Information from 1st April 2016 To 31st March 2017

	2016/17		2015/16	
Highest (Rs.)	790.00	18-May-16	799.00	12-Aug-15
Lowest (Rs.)	542.00	28-Mar-17	520.10	9-Mar-16
Closing (Rs.)	559.90	31-Mar-17	549.70	31-Mar-16
No.of transactions	1,620		1,228	
No. of shares traded	340,293		167,237	
Value of shares traded (Rs.)	224,075,773		111,892,715	

6 Public Shareholding

As at 31st March	2017	2016
Number of Shares	4,131,011	4,133,467
%	46.54	46.57
No. of Public Shareholders	1,813	1,753

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Appendix I - Share Information

7 History of Share Issues

Year	Issue	No. of Shares	Price (Rs)
2011/12	Scrip (one share per every fifty shares held)	174,048	1,395.00
2006/07	Rights (one share per every ten shares held)	1,100,000	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	20.00
2000/01	Scrip (one share per every four shares held)	1,200,000	Nil
1995/96	Scrip (one share per every three shares held)	1,200,000	Nil
1994/95	Scrip (one share per every five shares held)	600,000	Nil
1992/93	Rights (one share per every five shares held)	500,000	75.00
1991/92	Rights (one share per every three shares held)	500,000	30.00
1991/92	Scrip (one share per every four shares held)	500,000	Nil
1989/90	Rights (one share per every two shares held)	500,000	10.00
1987/88	Scrip (one share per every share held)	500,000	Nil
1980/81	Scrip (one share per every share held)	250,000	Nil

8 Changes in Shareholdings of Directors and Their Spouses During 2016/17

Name	Shareholding %	As at 31.03.2017 Shares	Movement Shares	As at 31.03.2016 Shares
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	1,882	-	-
	39.61	3,515,169	-	3,513,287

* Mr. M. V. Bandara was appointed as a Director on 01st June 2016. He owned 1,882 shares of the Company on the date of his appointment.

9 Top Twenty Shareholders

Name	31st March 2017		31st March 2016	
	Shares	%	Shares	%
Employees Provident Fund	1,765,260	19.89	1,639,978	18.48
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	630,844	7.11	630,267	7.10
Mr. S.C. Algama	567,786	6.40	567,786	6.40
Mr. A.G. Pandithage	525,814	5.92	525,814	5.92
Almar Trading Co (Pvt) Ltd	310,875	3.50	310,875	3.50
Mr. A.N. Algama	213,739	2.41	213,739	2.41
Mr. T.G.H. Peries	193,069	2.18	193,069	2.18
Mr. A.M. Pandithage	182,319	2.05	182,319	2.05
Dr. D. Jayantha	160,000	1.80	160,000	1.80
Miss. T.R.N.C Peries	148,009	1.67	148,009	1.67
Mr. L.P. Algama	134,569	1.52	134,569	1.52
Deutsche Bank Ag AG Trustee for JB Vantage Value Fund	123,733	1.39	123,733	1.39
Estate of The Late Mr. N.U. Algama	118,845	1.34	118,845	1.34
United Motors Lanka PLC	109,883	1.24	111,640	1.26
The Trustee Bank of Ceylon Account No. 1	77,935	0.88	77,935	0.88
Pan Asia Banking Corporation /Almar International (Pvt) Ltd	62,810	0.71	62,810	0.71
Mrs. I.S. Salgado	46,000	0.52	46,000	0.52
Mrs. H.S. Pandithage	45,048	0.51	45,048	0.51
	7,346,273	82.78	7,222,171	81.38

10 The stated capital represents 8,876,437 Ordinary shares.

Appendix II - GRI Content Index

Introductory Statements
Context
Enterprise Governance
Value Creation
Financial Information
Supplementary Information



GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
General Disclosures					
Organizational profile					
	102-1 Name of the organization	181			
	102-2 Activities, brands, products, and services	82-93			
	102-3 Location of headquarters	181			
	102-4 Location of operations	69			
	102-5 Ownership and legal form	181			
	102-6 Markets served	69,82-93			
	102-7 Scale of the organization	75,82-93,69-70, 123,124, http://www.dimolanka.com/sustainability-performance			
	102-8 Information on employees and other workers	69, http://www.dimolanka.com/sustainability-performance			
	102-9 Supply chain	82-93			
	102-10 Significant changes to the organization and its supply chain	10,69, 82-93,64, 72-73			
	102-11 Precautionary Principle or approach	11, 44,70, http://www.dimolanka.com/sustainability-performance			
	102-12 External initiatives	16-17,44, 70, http://www.dimolanka.com/sustainability-performance			
	102-13 Membership of associations	109			
Strategy					
	102-14 Statement from senior decision-maker	8-11 & 12-15			
	102-15 Key impacts, risks, and opportunities	8-11 & 12-15, 82-93, 56-61			
Ethics and integrity					
	102-16 Values, principles, standards, and norms of behavior	5, 16-17, 30-31			
	102-17 Mechanisms for advice and concerns about ethics	107, http://www.dimolanka.com/sustainability-performance			
Governance					
	102-18 Governance structure	41, 42			
	102-19 Delegating authority	34, 42			
	102-20 Executive-level responsibility for economic, environmental, and social topics	34, 42			
	102-21 Consulting stakeholders on economic, environmental, and social topics	16-17,34-35,42			
	102-22 Composition of the highest governance body and its committees	49-55, http://www.dimolanka.com/sustainability-performance			
	102-23 Chair of the highest governance body	http://www.dimolanka.com/stewardship			
	102-24 Nominating and selecting the highest governance body	54, http://www.dimolanka.com/stewardship			
	102-25 Conflicts of interest	http://www.dimolanka.com/stewardship			
	102-26 Role of highest governance body in setting purpose, values, and strategy	114-116			
	102-27 Collective knowledge of highest governance body	24-27			
	102-28 Evaluating the highest governance body's performance	114-116			

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Appendix II - GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
	102-29 Identifying and managing economic, environmental, and social impacts	94-111			
	102-30 Effectiveness of risk management processes	56-61			
	102-31 Review of economic, environmental, and social topics	114-116, http://www.dimolanka.com/stewardship			
	102-32 Highest governance body's role in sustainability reporting	16-17			
	102-33 Communicating critical concerns	78, http://www.dimolanka.com/sustainability-performance			
	102-34 Nature and total number of critical concerns	78, http://www.dimolanka.com/sustainability-performance			
	102-35 Remuneration policies	-		Confidentiality Constraints	Not disclosure due to confidentiality of the data
	102-36 Process for determining remuneration	http://www.dimolanka.com/stewardship			
	102-37 Stakeholders involvement in remuneration	-		Confidentiality Constraints	Not disclosure due to confidentiality of the data
	102-38 Annual total compensation ratio	-			
	102-39 Percentage increase in annual total compensation ratio	-			
Stakeholder engagement					
	102-40 List of stakeholder groups	35			
	102-41 Collective bargaining agreements	http://www.dimolanka.com/sustainability-performance			
	102-42 Identifying and selecting stakeholders	34			
	102-43 Approach to stakeholder engagement	35			
	102-44 Key topics and concerns raised	37			
Reporting practice					
	102-45 Entities included in the consolidated financial statements	21			
	102-46 Defining report content and topic Boundaries	16-17, 19			
	102-47 List of material topics	36			
	102-48 Restatements of information	16			
	102-49 Changes in reporting	37			
	102-50 Reporting period	16			
	102-51 Date of most recent report	May-2016			
	102-52 Reporting cycle	16			
	102-53 Contact point for questions regarding the report	181			
	102-54 Claims of reporting in accordance with the GRI Standards	16-17			
	102-55 GRI content index	169-174			
	102-56 External assurance	175-177			
GRI Standard	Disclosure	Page number(s) and/or URL(s)	Part Omitted	Omission 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	95-97			
	103-2 The management approach and its components	95-97			
	103-3 Evaluation of the management approach	95-97			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	96			
	201-2 Financial implications and other risks and opportunities due to climate change	-	No major impact. Will report on this next year.		
	201-3 Defined benefit plan obligations and other retirement plans	156-157, http://www.dimolanka.com/sustainability-performance			
	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	95,106-109			
	103-2 The management approach and its components	106-109			
	103-3 Evaluation of the management approach	106-109			
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	106-109			
	203-2 Significant indirect economic impacts	106-109			
Procurement Practices					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,72-74, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	72-74, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	72-74, http://www.dimolanka.com/sustainability-performance			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	74			
GRI 300 Environmental Standards Series					
Materials					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,100-105, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	100-105, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	95,100-105, http://www.dimolanka.com/sustainability-performance			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	101			
	301-2 Recycled input materials used	101			
	301-3 Reclaimed products and their packaging materials	http://www.dimolanka.com/sustainability-performance			
Energy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,98-105, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	100-107, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	100-107, http://www.dimolanka.com/sustainability-performance			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	101			
	302-2 Energy consumption outside of the organization	http://www.dimolanka.com/sustainability-performance			
	302-3 Energy intensity	101			
	302-4 Reduction of energy consumption	103, http://www.dimolanka.com/sustainability-performance			
	302-5 Reductions in energy requirements of products and services	http://www.dimolanka.com/sustainability-performance			
Water					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,98-105, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	98-105, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	98-105, http://www.dimolanka.com/sustainability-performance			

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GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 303: Water 2016	303-1 Water withdrawal by source	102-103			
	303-2 Water sources significantly affected by withdrawal of water	http://www.dimolanka.com/sustainability-performance			
	303-3 Water recycled and reused	103			
Emissions					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,98-105, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	98-105, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	98-105, http://www.dimolanka.com/sustainability-performance			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	100			
	305-2 Energy indirect (Scope 2) GHG emissions	100			
	305-3 Other indirect (Scope 3) GHG emissions	100			
	305-4 GHG emissions intensity	100			
	305-5 Reduction of GHG emissions	http://www.dimolanka.com/sustainability-performance			
	305-6 Emissions of ozone-depleting substances (ODS)	100			
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	100			
Effluents and Waste					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,98-105, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	98-105, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	98-105, http://www.dimolanka.com/sustainability-performance			
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	http://www.dimolanka.com/sustainability-performance			
	306-2 Waste by type and disposal method	http://www.dimolanka.com/sustainability-performance			
	306-3 Significant spills	http://www.dimolanka.com/sustainability-performance			
	306-4 Transport of hazardous waste		Not applicable		
	306-5 Water bodies affected by water discharges and/or runoff	http://www.dimolanka.com/sustainability-performance		Not applicable	
Environmental Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,98-105, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	98-105, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	98-105, http://www.dimolanka.com/sustainability-performance			
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	http://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	95,76-79, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	76-79, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	76-79, http://www.dimolanka.com/sustainability-performance			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	http://www.dimolanka.com/sustainability-performance			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	http://www.dimolanka.com/sustainability-performance			
	401-3 Parental leave	http://www.dimolanka.com/sustainability-performance			

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Labor/Management Relations					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,76-79, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	76-79, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	76-79, http://www.dimolanka.com/sustainability-performance			
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	http://www.dimolanka.com/sustainability-performance			
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	76-79, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	76-79, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	76-79, http://www.dimolanka.com/sustainability-performance			
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	http://www.dimolanka.com/sustainability-performance			
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	78			
	403-3 Workers with high incidence or high risk of diseases related to their occupation	http://www.dimolanka.com/sustainability-performance			
	403-4 Health and safety topics covered in formal agreements with trade unions	http://www.dimolanka.com/sustainability-performance			
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95,76-79, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	76-79, http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	76-79, http://www.dimolanka.com/sustainability-performance			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	http://www.dimolanka.com/sustainability-performance			
	404-2 Programs for upgrading employee skills and transition assistance programs	77, http://www.dimolanka.com/sustainability-performance			
	404-3 Percentage of employees receiving regular performance and career development reviews	78			
Non-discrimination					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	http://www.dimolanka.com/sustainability-performance			
Human Rights Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	http://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	http://www.dimolanka.com/sustainability-performance			
	412-2 Employee training on human rights policies or procedures	http://www.dimolanka.com/sustainability-performance			
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	http://www.dimolanka.com/sustainability-performance			

LEADING THE LINE

Appendix II - GRI Content Index

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Local Communities					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	95 http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	http://www.dimolanka.com/sustainability-performance			
	413-2 Operations with significant actual and potential negative impacts on local communities	http://www.dimolanka.com/sustainability-performance			
Customer Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	44,70, http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	http://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	http://www.dimolanka.com/sustainability-performance			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	http://www.dimolanka.com/sustainability-performance			
Marketing and Labeling					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	70 http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	http://www.dimolanka.com/sustainability-performance			
	417-2 Incidents of non-compliance concerning product and service information and labeling	http://www.dimolanka.com/sustainability-performance			
	417-3 Incidents of non-compliance concerning marketing communications	http://www.dimolanka.com/sustainability-performance			
Customer Privacy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	44 http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	http://www.dimolanka.com/sustainability-performance			
Socioeconomic Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	http://www.dimolanka.com/sustainability-performance			
	103-2 The management approach and its components	http://www.dimolanka.com/sustainability-performance			
	103-3 Evaluation of the management approach	http://www.dimolanka.com/sustainability-performance			
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	http://www.dimolanka.com/sustainability-performance			

Appendix III - Independent Assurance Statement on Non-Financial Reporting



Scope and Approach

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of Diesel and Motor Engineering plc ('DIMO' or 'the Company') to carry out an independent assurance engagement (Type 2, Moderate level) for the non-financial - qualitative and quantitative information (sustainability performance) reported in DIMO's Integrated Annual Report 2016 ('the Report') in its printed format for the financial year ending 31st March 2017. The sustainability disclosures in this Report are prepared by DIMO in accordance with the GRI Standards: Comprehensive option of the Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016 ('GRI Standards').

We performed our work using AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) and DNV GL's assurance methodology VeriSustain™¹, which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised*. Our assurance engagement was planned and carried out in May – June 2017.

The intended user of this assurance statement is the Management of DIMO ('the Management'). We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this assurance statement.

The reporting topic Boundaries of sustainability performance are based on an internal and external stakeholder engagement process carried out by the Company and covers operations of DIMO and its subsidiaries in Sri Lanka as well as selected activities in its value chain; this is as set out in the Report in the sections 'How to Read the Report' and 'Stakeholder Engagement and Material Issues'.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

Responsibilities of the Management of DIMO and of the Assurance Providers

The Management of DIMO have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing our assurance work, our responsibility is to the Management; however, our statement represents our independent opinion and is intended to inform the outcome of our assurance to the stakeholders of the Company. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the Company to us as part of our review have been provided in good faith. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our Opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at DIMO's Head Office at Colombo, and sample operations in Sri Lanka. We undertook the following activities:

- » Review of DIMO's approach towards stakeholder engagement and materiality determination process and the outcomes as reported in this Report. We did not have any direct engagement with external stakeholders;
- » Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- » Site visits to sample branch operations - workshop and branch at Kurunegala, and the Bosch centre at Colombo - to review processes and systems for preparing site

level sustainability data and implementation of sustainability strategy. We were free to choose sites we visited:

- » Review of supporting evidence for key sustainability related statements, claims and data in the Report;
- » Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation;
- » An independent assessment of DIMO's reporting against the GRI Standards and the reporting requirements for its in accordance: Comprehensive option.

During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement. The reported data on economic performance, expenditure towards Corporate Social Responsibility (CSR) and other financial data are based on audited financial statements issued by the Company's statutory auditors and were subject to a separate independent audit process.

Opinion

On the basis of the verification undertaken, nothing came to our attention to suggest that the Report does not properly describe DIMO's adherence for the chosen reporting option of the GRI Sustainability Reporting Standards as described below:

- » **GRI 101: Foundation 2016:** This report is prepared based on this Foundation standard and chosen the GRI Standards: Comprehensive option of reporting, however, the Report may disclose explicitly the application of all the principles for defining Report Quality and Content.
- » **GRI 102: General Disclosures 2016:** The reported information on General Disclosures meets the disclosure requirements for the GRI Standards: Comprehensive option of reporting; it was observed that certain disclosures (102-35 to 39) are not reported citing the reason for omission as confidentiality of information.

¹ The VeriSustain protocol is available on www.dnvgl.com

* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

- » **GRI 103: Management Approach 2016:** The Report generally captures the Management Approach for the identified material topics and its boundaries, policies, commitments, resources, objectives and targets, and sustainability performance monitoring mechanisms.
- » **Topic-specific Standards:** The Report has brought out disclosures related to the following Performance Indicators for the identified material topics:

Economic

- Economic Performance – 201-1, 201-3, 201-4;
- Indirect Economic Impacts – 203-1, 203-2;
- Procurement Practices – 204-1;

Environmental

- Materials – 301-1, 301-2, 301-3;
- Energy – 302-1, 302-2, 302-3, 302-4;
- Water – 303-1, 303-2, 303-3;
- Emissions – 305-1, 305-2, 305-3, 305-4, 305-5;
- Effluents and Waste – 306-1, 306-2, 306-3;
- Environmental Compliance – 307-1;

Social

- Employment – 401-1, 401-2, 401-3;
- Labor/Management Relations – 402-1;
- Occupational Health and Safety – 403-1, 403-3, 403-4;
- Training and Education – 404-1, 404-2, 404-3;
- Non-discrimination – 406-1;
- Human Rights Assessment – 412-1, 412-2, 412-3;
- Local Communities – 413-1, 413-2;
- Customer Health and Safety – 416-1, 416-2;
- Marketing and Labelling – 417-1, 417-2, 417-3;
- Customer Privacy – 418-1;
- Socioeconomic Compliance – 419-1.

The Report brings out omission/partial reporting of the performance indicators (201-2, 305-7, 306-4, 306-5, 403-2) with a commitment to reporting them in the future.

Observations

Without affecting our assurance opinion, we also provide the following observations. We have evaluated the Report's adherence to the following principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

Material topics were identified for reporting based on inputs from its engagement with internal and external stakeholders. The materiality determination process included a stakeholder engagement survey, an analysis of feedback from the survey, and assessment of stakeholder concerns by the Group Management Committee. The process prioritises and fairly explains material topics based on stakeholder engagement surveys, and these are fairly brought out within the Report. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

DIMO has established and undertaken a formal and independent stakeholder engagement process to understand and identify sustainability issues and concerns of its key stakeholder groups, and these concerns are assessed by the Group Management Committee and the Board. The outcome of stakeholder engagement is fairly brought out in the Report. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out how the Company monitors and responds to key concerns raised by its stakeholders on identified material issues, and its responses in terms of policies,

strategies, management systems and governance mechanisms as applicable. However, the Report needs to strengthen its responses towards sustainability objectives and targets set out for a short, medium and long term basis including the sustainability context. Further, the Report could bring out strategies and changes in management systems wherever achievements and shortfalls were identified with respect to previous commitments, to further strengthen its responsiveness. In our opinion, the level at which the Report adheres to this principle is 'Acceptable'.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of data and information verified at Head Office and at sample operational sites we visited were found to be fairly accurate. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been corrected. Hence in accordance with the AA1000AS (2008) requirements for a Type 2, moderate level assurance engagement, we conclude that sustainability data and information presented in the Report is reliable and acceptable. In our opinion, the level at which the Report adheres to this principle is 'Good'.

Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and processes for gathering information developed by DIMO for its sustainability performance reporting to be appropriate, and the qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data and its reliability. We observed that the Report presents a faithful description of the reported sustainability activities for the reporting period.

Sustainability Context

Representation of the organization's performance in relation to broader concepts of sustainability.

The Report has attempted to capture the sustainability context through the disclosures

related to Management Approach, however the Report may further strengthen its disclosures by presenting its performance with reference to broader sustainable development goals and conditions, and national regional and international priorities. In our opinion, the level at which the Report adheres to this principle is 'Acceptable'.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report generally meets the principle of Completeness with respect to scope, boundary and time, however it was observed that certain performance indicators for identified material topics are omitted/partially reported due to non-availability of data and where systems for reporting performance indicators are being established; the Company has committed to reporting the same in the future as indicated. In our opinion, the level

at which the Report adheres to this principle is 'Acceptable'.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

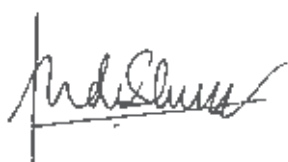
The disclosures related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation and are generally aligned to DIMO's strategy and vision. In our opinion, the level at which the Report adheres to the principle of Neutrality is 'Good'.

Opportunities for Improvement

The following is an excerpt from the observations and further opportunities for improvement reported to the management of DIMO and are not considered for drawing our conclusion on the Report; however, they are generally consistent with the Management's objectives:

- DIMO may strengthen disclosures related to Management Approach by bringing out the targets and performance against targets for its key material topics.
- The materiality determination process may be further improved by identifying, prioritising and bringing out material issues specific to each business vertical and considering impacts which are external to each business.
- The Report may consider inclusion of reporting recommendations related to the GRI Standards to further improve upon the Report Quality and Content.
- Internal management systems related to sustainability aspects and the reliability of reported sustainability data may be reinforced by including GRI Standard requirements and by implementing quality assurance systems for data.

For DNV GL



Rathika de Silva
Country Head

DNV GL Business Assurance Lanka (Private) Limited, Colombo, Sri Lanka



Kiran Radhakrishnan
Lead Verifier

Assessor - Sustainability Services
DNV GL Business Assurance India Private Limited, India.



Vadakepatth Nandkumar
Assurance Reviewer

Regional Sustainability Manager -Regional Sustainability Operations Region India and Middle East
DNV GL Business Assurance India Private Limited, India.

2nd June 2017, Colombo, Sri Lanka.



DNV GL Business Assurance Lanka (Private) Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.com

Appendix IV - Ten Year Summary

Year Ended 31st March	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	2009/10 Rs.'000	2008/09 Rs.'000	2007/08 Rs.'000
Operating Results										
Revenue	44,492,990	37,749,750	28,037,376	20,884,674	27,711,604	39,862,943	29,357,271	10,530,587	9,187,966	12,687,289
Profit before taxation	1,043,392	1,380,059	847,033	512,858	490,021	3,724,521	3,395,980	420,095	175,082	344,444
Income tax	(386,601)	(433,453)	(250,950)	(119,317)	(27,871)	(1,022,870)	(1,274,228)	(141,842)	(72,054)	(139,351)
Profit for the year	656,791	946,606	596,083	393,541	462,150	2,701,651	2,121,752	278,253	103,028	205,093
Capital Employed										
Stated capital	425,297	425,297	425,297	425,297	425,297	425,297	182,500	182,500	182,500	182,500
Other components of equity	2,839,898	2,839,356	2,838,894	2,018,475	2,014,752	2,014,752	1,135,612	1,135,612	1,135,612	311,522
Revenue reserves	6,899,747	6,725,026	5,973,747	5,473,721	5,191,118	5,000,566	2,882,735	882,816	686,733	1,163,129
Total equity	10,164,942	9,989,679	9,237,938	7,917,493	7,631,167	7,440,615	4,200,847	2,200,928	2,004,845	1,657,151
Total borrowings	8,382,217	6,484,996	5,253,838	5,950,126	3,417,800	5,045,829	3,068,466	1,966,600	2,709,671	2,802,374
Total capital employed	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528	4,714,516	4,459,525
Assets Employed										
Non- current assets	8,357,266	7,982,821	8,039,357	6,937,410	5,719,010	4,763,435	3,099,509	2,149,406	2,234,911	1,463,068
Current assets	14,402,152	12,349,823	9,910,853	9,157,244	7,183,369	10,536,783	7,839,972	3,389,023	3,028,263	4,368,090
Total liabilities (excluding borrowings)	(4,212,259)	(3,857,969)	(3,458,434)	(2,227,035)	(1,851,412)	(2,813,774)	(3,670,168)	(1,370,901)	(548,658)	(1,371,633)
Total assets employed	18,547,159	16,474,675	14,491,776	13,867,619	11,048,967	12,486,444	7,269,313	4,167,528	4,714,516	4,459,525
Cash Flow										
Net cash from/(used in) operating activities	(654,758)	(836,816)	648,049	(726,849)	3,207,700	(2,430,074)	1,793,848	846,833	625,652	520,706
Net cash from/(used in) investing activities	(684,812)	(223,129)	(677,408)	(1,361,283)	(970,581)	(788,829)	(937,710)	(24,275)	1,918	(519,212)
Net cash from/(used in) financing activities	(847,598)	(495,191)	(340,735)	975,156	(474,062)	277,902	(377,658)	(295,885)	(416,861)	179,289
Net increase/(decrease) in cash and cash equivalents	(2,187,168)	(1,555,136)	(370,094)	(1,112,976)	1,763,057	(2,941,001)	478,480	526,673	210,709	180,783
Key Indicators										
Earnings per share (Rs.)	73.99	106.64	67.15	44.34	51.16	304.36	239.03	27.97	9.36	16.95
Net assets per share (Rs.)	1,145.16	1,125.42	1,040.73	891.97	859.71	838.24	473.26	252.92	230.39	136.95
Market value per share (Rs.)	559.90	549.70	630.00	505.00	505.00	982.20	1,484.70	394.25	60.25	88.75
Dividend per share (Rs.)	24.00	27.00	20.00	10.00	10.00	40.00	61.00	7.00	3.00	4.00
Dividends approved/ Paid (Rs.'000)	213,034	239,664	177,529	88,764	88,764	244,102	443,822	34,810	26,107	48,400
Annual sales growth (%)	17.86	34.64	34.25	24.64	(30.48)	35.91	178.78	14.61	(27.58)	(2.33)
Equity to total assets ratio (%)	44.66	49.13	51.46	49.19	59.15	48.63	38.40	39.78	38.09	28.42
Dividends cover (no. of times)	3.08	3.95	3.36	4.43	5.11	7.61	4.00	3.11	2.34	4.02
Price earnings ratio (no. of times)	7.57	5.15	9.38	11.39	9.70	3.23	6.21	14.89	6.44	5.24
Current ratio (no. of times)	1.33	1.47	1.45	1.50	1.71	1.60	1.27	1.20	1.31	1.26
Turnover to capital employed (no. of times)	2.40	2.29	1.93	1.51	2.51	3.19	4.04	2.53	1.95	2.84
Interest Cover (no. of times)	2.22	3.93	3.00	2.42	2.42	15.67	17.35	2.20	1.31	1.67
Average no. of employees	1,649	1,554	1,524	1,518	1,433	1,179	942	867	869	866

Appendix V - Glossary

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accolades

Awards and privileges granted as a special honour or as an acknowledgement of merit.

Accrual Basis

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Actuarial Gain/Loss on defined benefit plan

Gain or loss arising from the difference between estimates and actual experience in an entity's defined benefit plan.

Amortised Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

Apprenticeship

Method in which trainees learn a skill or trade by hands-on experience while working with a skilled worker.

Asset Turnover

The amount of sales generated for every rupee worth of assets. It is calculated by dividing sales by assets.

AWPR

Average Weighted Prime Lending Rate as published by the Central Bank of Sri Lanka.

Basis Point (bp)

One-hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Cash Equivalents

Short –term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CFC

Chlorofluorocarbon - a class of compounds harmful to the ozone layer.

CFL

Compact fluorescent lamp. An energy-saving lamp.

Chemical Oxygen Demand

A measure of the capacity of water to consume oxygen during the decomposition of organic matter and the oxidation of inorganic chemicals.

Consolidate Financial Statements

Consolidated Financial Statements are the financial statements of a Group in which assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

Credit Rating

An evaluation of a corporate's ability to repay its obligations or likelihood of not defaulting, carried out by an independent rating agency.

Current Ratio

Total current assets divided by total current liabilities.

Debt to Equity Ratio

Debt as a percentage of shareholders' funds.

Deferred Taxation

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Degradation

The process in which the status or quality of something is destroyed or spoiled.

Direct Employment

The workers employed by the company.

Discount Rate

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

Dividend Cover

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by current year's distributable profits.

Dividend Payout Ratio

The percentage of earnings paid to shareholders in dividends.

Dust Extractors

A system used to enhance the quality of air released from industrial and commercial processes by collecting dust and other impurities from air or gas.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate

Provision for taxation expressed as a percentage of the profit before taxation.

Emissions

Emission of fumes, dust & ozone depleting gases to the atmosphere.

Energy Intensity

Total energy consumed by the Group divided by the number of full time employees of the Group as at the year-end.

Equity

Shareholders' funds.

Ethical

Relating to moral principles.

LEADING THE LINE

Appendix V - Glossary

E-Waste

Electronic waste, especially mobile phones, televisions and personal computers.

Exhaust Gas

Gases ejected from an engine as waste products.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Leverages

A measure of how an entity used its debt capital to finance its assets, calculated as total assets divided by total shareholders' equity.

Grey Water

Wastewater composed of wash water from workshops, kitchen and bathroom.

Groundwater

Water found below the surface.

Hazardous Waste

Waste that cannot be handled by routine waste management methods because of its biological, chemical or physical properties that may pose a danger to living organisms, materials, structures or the environment.

Human Rights

A right which is believed to belong to every person.

Incineration

The destruction of something, especially waste material, by burning.

Infrastructure

The basic physical and organizational structures and facilities needed for the operation of a society or enterprise.

Interest Cover

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

LED

Light Emitting Diode used as energy-efficient lighting.

Loan to Value Ratio

Financial term used by lenders to express the ratio of a loan to the value of an asset purchased.

Market Capitalisation

The value of a company obtained by multiplying the number of ordinary shares in issue by the market value as at a date.

Net Assets

Total assets minus long term and current liabilities.

Net Assets Per Share

Net assets at the year-end divided by the number of shares in issue.

Net Profit Ratio

Profit after tax attributable to equity holders of the parent divided by total revenue.

Organic Waste

Bio-degradable waste.

Particles

A minute portion of matter.

PH Level

Level of potential of hydrogen which is used to measure acidity or alkalinity of water soluble substances.

Price Earnings Ratio

Market price of a share divided by the earnings per share.

Quick Assets Ratio

Total current assets minus inventories, divided by current liabilities.

Recycle

The process of converting waste into reusable material.

Risk Appetite

The amount and type of risk that an organisation is willing to take in order to meet their strategic objectives.

Risk Management

The identification, analysis, assessment, control, and avoidance, minimization, or elimination of unacceptable risks.

Stewardship

The role of supervising or taking care of the organisation.

Storm Water

Surface water in abnormal quantity resulting from heavy falls of rain.

Toxic

Poisonous.

Water Consumption

Usage of water by means of municipal supply, ground water or rain water harvesting.

Working Capital

Total current assets minus current liabilities.

Workshops

Locations that carry out the activity of servicing, repair, tinkering painting and washing of vehicles.

Corporate Information

Introductory Statements
Context
Enterprise Governance
Value Creation
Financial Information
Supplementary Information

Name of the Company

Diesel & Motor Engineering PLC

Registered Office

P.O. Box 339,
No. 65, Jetawana Road,
Colombo 14, Sri Lanka.
Telephone: +94-11-2449797,
+94-11- 2338883
www.dimolanka.com
E-mail: dimo@dimolanka.com
Facsimile: +94-11-2449080

Legal Form

A public limited Company incorporated in 1945 under the Laws of the Democratic Socialist Republic of Sri Lanka. The Company was re-registered 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

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 Second Annual General Meeting of Diesel & Motor Engineering PLC will be held at the registered office of the Company, No. 65, Jetawana Road, Colombo 14, on Friday, 30th June 2017 at 10.00 a.m. and the business to be brought before the meeting will be:

Agenda

1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2017, the Report of the Auditors and the Annual Report of the Board of Directors for the said year.
2. To re-elect Mr. S. C. Algama, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.
3. To re-elect Dr. H. Cabral, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.
4. To re-elect Mr. B. C. S. A. P. Gooneratne, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.
5. To elect Mr. A. D. B. Talwatte, Director, who retires in terms of Article 71 of the Articles of Association of the Company.
6. To elect Mr. M. V. Bandara, Director, who retires in terms of Article 71 of the Articles of Association of the Company.
7. To elect Mr. P. K. W. Mahendra, Director, who retires in terms of Article 71 of the Articles of Association of the Company.
8. To elect Mr. S. R. W. M. C. Ranawana, Director, who retires in terms of Article 71 of the Articles of Association of the Company.
9. To re-appoint as a Director Mr. R. Seevaratnam, who is 73 years old and who vacates his office in terms of Section 210 of the Companies Act No. 7 of 2007 (the Act).
10. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.
11. To authorise the Directors to determine contributions to charities.

The profiles of the Directors proposed for re-election are given on pages 26 to 27 of the Annual Report.

NOTE

A member is entitled to appoint a proxy to attend and vote instead of himself/herself and a proxy need not be a member of the company. A form of proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at office of the Registrars to the Company, Jacey and Company, No. 9/5, Thambiah Avenue, Colombo 07, not less than forty-eight hours before the time fixed for the meeting.

By Order of the Board,

Diesel & Motor Engineering PLC
Company Registration No. PQ-146



B.C.S.A.P. Gooneratne
Secretary

Colombo
23rd May 2017

Notice is hereby given to propose the undernoted Ordinary Resolution in compliance with Section 211 of the Act, in relation to his re-appointment.

"RESOLVED THAT Mr. R. Seevaratnam, who is 73 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. 07 of 2007 shall not apply to the said Mr. R. Seevaratnam."

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. Mudiyansele Vijitha Bandara	whom failing
Dr. Harsha Cabral	whom failing
Mr. Bodyabaduge Charindra Suresh Alexius Perera Gooneratne	whom failing
Mr. Pushpawela Kankanamge Wijith Mahendra	whom failing
Mr. Abeykumar Mohan Pandithage	whom failing
Mr. Sri Rama Waidayasekera Mudiyansele Chaminda Ranawana	whom failing
Mr. Ranjeevan Seevaratnam	whom failing
Mr. Asite Drupath Bandara Talwatte	whom failing
Mr. Rohana Channa Weerawardane	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 SECOND ANNUAL GENERAL MEETING of the Company to be held on Friday, 30th June, 2017 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:-

	<i>For</i>	<i>Against</i>
1. To receive and consider the Audited Financial Statements for the Year Ended 31st March 2017, the Report of the Auditors and the Annual Report of the Board for the said year	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. S. C. Algama, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Dr. H. Cabral, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. B. C. S. A. P. Gooneratne, Director, who retires by rotation in terms of Article 66 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Mr. A. D. B. Talwatte, Director, who retires in terms of Article 71 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Mr. M. V. Bandara, Director, who retires in terms of Article 71 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To elect Mr. P. K. W. Mahendra, Director, who retires in terms of Article 71 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To elect Mr. S. R. W. M. C. Ranawana, Director, who retires in terms of Article 71 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
9. To re-appoint as a Director Mr. R. Seevaratnam, who is 73 years old and who vacates his office in terms of Section 210 of the Companies Act No. 07 of 2007 (the Act), the Resolution pertaining to which re-appointment is set out in the Notice of Meeting of the Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
10. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
11. To authorise the Directors to determine contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand this day of Two Thousand and Seventeen.

Witness:

.....

.....
Signature of Shareholder

Please delete as appropriate.

LEADING THE LINE

Notes:

If you wish your Proxy to speak at the Meeting you should insert the words "to speak and" in the place indicated with an asterisk 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

Instructions as to completion are given below.

Instruction as to Completion

1. To be valid this Form of Proxy must be deposited at the office of the Registrars to the Company, Jacey and Company, No. 9/5, Thambiah Avenue, Colombo 07 not less than 48 hours before the time appointed for the holding of the Meeting.
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 notarial certified copy thereof, should also accompany the completed Form of Proxy if it had not already registered with the Company

Designed & produced by



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