

D Brand



VISION

To be the leader in all the businesses we are engaged in, by building a world-class team and partnering with the best in the world, to deliver, lasting and outstanding value to all our stakeholders.

THE VALUES THAT GUIDE US

Customer first;
Partner with the world's best;
Make work enjoyable and rewarding;
Never compromise on Dimo's ethics;
Benefactor of society
and friend of the environment.

QUALITY & ENVIRONMENT POLICY

"We at Dimo are committed to:
Continuously improve our systems and processes
Total customer satisfaction
Develop human resources
Conservation of resources
Reducing waste
Compliance to Legal Statutory and the requirements of the Principals."

C O N T E N T S

Corporate Information	-	1
Income Statements	-	2
Balance Sheets	-	3
Statements of Changes in Equity	-	4
Cash Flow Statements	-	5
Notes to the accounts	-	6 - 7
Investor Information	-	8



CORPORATE INFORMATION

Name of the Company

Diesel & Motor Engineering PLC.

Company Registration Number : PQ 146

(A Quoted Public Company with Limited Liability, Incorporated in Sri Lanka in 1945)

Board of Directors

A. R. Pandithage - Dipl. Ing (Chairman, Managing Director/ C.E.O.)
A. G. Pandithage - FCMA (Deputy CEO)
A. N. Algama
S. C. Algama - FIED (SL)
Dr. H. Cabral PC, PhD
R. A. Ebell - FCA., FCMA, MCIM (Resigned with effect from 30th June 2008)
B. C. S. A. P. Gooneratne - FCA, MBA (Sri.J)
Dr. U. Liyanage FCIM, MBA (Sri. J), PhD
A. M. Pandithage
T. G. H. Peries
R. Seevaratnam FCA, B.Sc (Lon), FCA (E&W)
R. C. Weerawardane

Company Secretary

B. C. S. A. P. Gooneratne - FCA, MBA(Sri.J)

Group Management Committee

A. R. Pandithage (Chairman)
A. G. Pandithage
S. C. Algama
D.S. Amarasuriya
M.V. Bandara
A. C. G. Dias
B. C. S. A. P. Gooneratne
E. D. C. Kodituwakku
A. Mapalagama
R. C. Weerawardane

Audit Committee

R. Seevaratnam (Chairman)
Dr. H. Cabral
Dr. U. Liyanage
A. M. Pandithage

Remuneration Committee

Dr. U. Liyanage (Chairman)
Dr. H. Cabral
A. M. Pandithage
R. Seevaratnam

Nomination Committee

Dr. H. Cabral (Chairman)
Dr. U. Liyanage
A. M. Pandithage
R. Seevaratnam

Bankers

Commercial Bank of Ceylon PLC
NDB Bank PLC
Hatton National Bank PLC
Citibank N.A.
Nations Trust Bank PLC
Hong Kong & Shanghai Banking Corporation Ltd.
Sampath Bank PLC
People's Bank

Registered Office

P.O. Box 339, No. 65, Jetawana Road, Colombo 14, Sri Lanka.
Telephone: 2449797, 2338883
<http://www.dimolanka.com> e-mail: dimo@dimolanka.com
Facsimile: 2449080

Diesel & Motor Engineering PLC

Interim Report - Three Months ended 30th June 2008



INCOME STATEMENTS

Consolidated		Company		Consolidated			Company		
Audited year ended 31-Mar-08 Rs. '000	Audited year ended 31-Mar-08 Rs. '000			Unaudited 3 months to 30-June.-08 Rs. '000	Unaudited 3 months to 30-June.-07 Rs. '000	Variance %	Unaudited 3 months to 30-June.-08 Rs. '000	Unaudited 3 months to 30-June.-07 Rs. '000	Variance %
12,687,289	12,169,146	Gross turnover		2,212,372	2,699,962	-18%	2,067,628	2,567,991	-19%
(129,439)	(125,722)	Turnover tax		(20,871)	(27,276)	-23%	(20,130)	(26,242)	-23%
12,557,850	12,043,424	Net turnover		2,191,501	2,672,686	-18%	2,047,498	2,541,749	-19%
(10,181,909)	(9,874,218)	Cost of sales		(1,636,595)	(2,196,566)	-25%	(1,566,947)	(2,115,065)	-26%
2,375,941	2,169,206	Gross profit		554,906	476,120	17%	480,551	426,684	13%
37,900	35,804	Other income		5,919	4,730	25%	6,216	4,732	31%
(326,815)	(314,350)	Distribution expenses		(59,935)	(66,822)	-10%	(57,382)	(64,546)	-11%
(1,227,721)	(1,092,783)	Administrative expenses		(338,327)	(282,229)	20%	(299,181)	(254,239)	18%
(518,143)	(469,899)	Net finance cost		(132,967)	(120,290)	11%	(120,865)	(107,131)	13%
		Share of profit of equity accounted investee -							
3,282	-	Net of tax		932	318	193%	-	-	
344,444	327,978	Profit before taxation		30,528	11,827	158%	9,339	5,500	70%
(139,351)	(133,309)	Income tax expense		(13,179)	(7,383)	79%	(5,951)	(4,476)	33%
205,093	194,669	Profit for the period		17,349	4,444		3,388	1,024	
		Attributable to:							
205,093		Equity holders of the company		17,349	4,444				
-		Minority Interest		-	-				
205,093		Profit for the period		17,349	4,444				
16.95	16.09	Basic earnings per share (Annualised) - (Rs.)		7.26	1.47		1.42	0.34	

Figures in brackets indicate deductions.

The notes to the accounts on pages 6 & 7 form an integral part of these financial statements



BALANCE SHEETS

Consolidated		Company		Consolidated		Company	
Audited as at 31-Mar.-08 Rs.'000	Audited as at 31-Mar-08 Rs.'000	Unaudited as at 30-June.-08 Rs.'000	Unaudited as at 30-June.-07 Rs.'000	Unaudited as at 30-June.-08 Rs.'000	Unaudited as at 30-June.-07 Rs.'000	Unaudited as at 30-June.-08 Rs.'000	Unaudited as at 30-June.-07 Rs.'000
ASSETS							
Non-Current assets							
1,393,630	1,331,271	1,385,808	930,907	1,322,176	878,618		
2,749	2,749	2,749	-	2,749			
-	350	-	-	350	350		
-	6,000	-	-	6,000	6,000		
25,011	6,750	25,943	21,968	6,750	6,750		
41,678	41,671	41,978	41,678	41,971	41,671		
-	-	835	1,184	-	-		
1,463,068	1,388,791	1,457,313	995,737	1,379,996	933,389		
Current assets							
2,189,806	2,123,448	1,991,148	2,623,486	1,910,592	2,529,888		
2,127,062	1,899,155	1,762,466	1,686,566	1,543,085	1,379,852		
-	113,876	-	-	92,759	190,571		
51,222	49,454	49,823	73,299	48,450	40,435		
4,368,090	4,185,933	3,803,437	4,383,351	3,594,886	4,140,746		
5,831,158	5,574,724	5,260,750	5,379,088	4,974,882	5,074,135		
EQUITY AND LIABILITIES							
182,500	182,500	182,500	182,500	182,500	182,500		
311,522	311,522	311,522	311,522	311,522	311,522		
1,163,129	1,021,007	606,610	980,630	450,528	845,513		
1,657,151	1,515,029	1,100,632	1,474,652	944,550	1,339,535		
Non-Current liabilities							
554,176	554,176	503,836	307,671	503,836	307,671		
41,132	40,990	33,486	23,722	33,486	23,722		
1,222	1,222	503	2,373	503	2,373		
115,763	108,130	139,975	113,323	131,166	104,595		
712,293	704,518	677,800	447,089	668,991	438,361		
Current liabilities							
193,539	193,539	198,688	143,533	198,688	143,533		
1,163,544	1,108,779	803,325	595,732	746,439	528,146		
-	392	-	-	375	-		
49,972	49,972	26,322	97,393	18,116	95,287		
2,054,659	2,002,495	2,453,983	2,620,689	2,397,723	2,529,273		
3,461,714	3,355,177	3,482,318	3,457,347	3,361,341	3,296,239		
5,831,158	5,574,724	5,260,750	5,379,088	4,974,882	5,074,135		

It is certified that the financial statements have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007.

E.D.C Kodituwakku

General Manager Finance & Controlling / Member-Group Management Committee

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

Signed for and on behalf of the Board,

A.R. Pandithage

Chairman, Managing Director / Chief Executive Officer

21st July, 2008

Figures in brackets indicate deductions.

The notes to the accounts on pages 6 & 7 form an integral part of these financial statements.

B.C.S.A.P. Gooneratne

Director

Diesel & Motor Engineering PLC

Interim Report - Three Months ended 30th June 2008



STATEMENTS OF CHANGES IN EQUITY

	Stated Capital					Total Rs.'000
	Voting Shares Rs.'000	Share Premium Rs.'000	Revaluation Reserve Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	
Consolidated 2008						
Balance as at 1st April 2008	121,000	61,500	311,522	862,908	300,221	1,657,151
Transfer to general reserve	-	-	-	150,000	(150,000)	-
Transfer from general reserve	-	-	-	(543,618)	543,618	-
Re-purchase of shares	-	-	-	-	(543,618)	(543,618)
Dividends to shareholders	-	-	-	-	(30,250)	(30,250)
Profit for the period	-	-	-	-	17,349	17,349
Balance as at 30th June 2008	121,000	61,500	311,522	469,290	137,320	1,100,632
2007						
Balance as at 1st April 2007	121,000	61,500	311,522	642,908	369,578	1,506,508
Transfer to general reserve	-	-	-	220,000	(220,000)	-
Dividends to shareholders	-	-	-	-	(36,300)	(36,300)
Profit for the period	-	-	-	-	4,444	4,444
Balance as at 30th June 2007	121,000	61,500	311,522	862,908	117,722	1,474,652

	Stated Capital					Total Rs.'000
	Voting Shares Rs.'000	Share Premium Rs.'000	Revaluation Reserve Rs.'000	General Reserve Rs.'000	Retained Earnings Rs.'000	
Company 2008						
Balance as at 1st April 2008	121,000	61,500	311,522	773,083	247,925	1,515,030
Transfer to general reserve	-	-	-	150,000	(150,000)	-
Transfer from general reserve	-	-	-	(543,618)	543,618	-
Re-purchase of shares	-	-	-	-	(543,618)	(543,618)
Dividends to shareholders	-	-	-	-	(30,250)	(30,250)
Profit for the period	-	-	-	-	3,388	3,388
Balance as at 30th June 2008	121,000	61,500	311,522	379,465	71,063	944,550
2007						
Balance as at 1st April 2007	121,000	61,500	311,522	573,083	307,706	1,374,811
Transfer to general reserve	-	-	-	200,000	(200,000)	-
Dividends to shareholders	-	-	-	-	(36,300)	(36,300)
Profit for the period	-	-	-	-	1,024	1,024
Balance as at 30th June 2007	121,000	61,500	311,522	773,083	72,430	1,339,535

Figures in brackets indicate deductions.



CASH FLOW STATEMENTS

<u>Consolidated</u> <u>Company</u>		<u>Consolidated</u>		<u>Company</u>	
Audited year ended 31-03-08 Rs.'000	Audited Year ended 31-03-08 Rs.'000	Unaudited 3 months to 30-06-08 Rs.'000	Unaudited 3 months to 30-06-07 Rs.'000	Unaudited 3 months to 30-06-08 Rs.'000	Unaudited 3 months to 30-06-07 Rs.'000
Operating activities					
12,385,498	11,863,519	2,579,769	2,937,675	2,447,901	2,829,813
(11,145,323)	(10,744,103)	(2,180,041)	(3,057,987)	(2,058,101)	(2,998,874)
1,240,175	1,119,416	399,728	(120,312)	389,800	(169,061)
(517,620)	(469,093)	(132,967)	(125,117)	(120,865)	(111,030)
(201,849)	(184,818)	(36,830)	(31,227)	(37,808)	(27,938)
<u>520,706</u>	<u>465,505</u>	<u>229,931</u>	<u>(276,656)</u>	<u>231,127</u>	<u>(308,029)</u>
Cash flows from operating activities					
Investing activities					
25,424	24,511	6,250	40	6,250	40
-	-	(300)	-	(300)	-
1,913	1,913	-	969	-	969
637	354	-	8	-	-
-	-	-	-	-	-
(547,186)	(524,401)	(16,915)	(8,766)	(13,621)	(2,842)
<u>(519,212)</u>	<u>(497,623)</u>	<u>(10,965)</u>	<u>(7,749)</u>	<u>(7,671)</u>	<u>(1,833)</u>
Cash flows from investing activities					
Financing activities					
400,000	400,000	-	-	-	-
(146,863)	(146,863)	(43,373)	(35,883)	(43,373)	(35,883)
(54,450)	(54,450)	(30,250)	(36,300)	(30,250)	(36,300)
(19,398)	(19,398)	(2,448)	(6,582)	(2,448)	(6,582)
-	-	(543,618)	-	(543,618)	-
179,289	179,289	(619,689)	(78,765)	(619,689)	(78,765)
Cash flow from financing activities					
180,783	147,171	(400,723)	(363,170)	(396,232)	(388,627)
(2,184,220)	(2,100,212)	(2,003,437)	(2,184,220)	(1,953,041)	(2,100,211)
<u>(2,003,437)</u>	<u>(1,953,041)</u>	<u>(2,404,160)</u>	<u>(2,547,390)</u>	<u>(2,349,273)</u>	<u>(2,488,838)</u>
Cash and cash equivalents at end of the year (Note A)					

Note A

Analysis of cash & cash equivalents

51,222	49,454	49,823	73,299	48,450	40,435
(2,054,659)	(2,002,495)	(2,453,983)	(2,620,689)	(2,397,723)	(2,529,273)
<u>(2,003,437)</u>	<u>(1,953,041)</u>	<u>(2,404,160)</u>	<u>(2,547,390)</u>	<u>(2,349,273)</u>	<u>(2,488,838)</u>

Figures in brackets indicate deductions.



NOTES TO THE ACCOUNTS

1. SEGMENT INFORMATION

- Vehicles** - Sale of brand new Passenger Vehicles 4WD Vehicles, Commercial Vehicles, Special purpose Vehicles and Pre-owned Passenger vehicles.
- Vehicle Parts & Service** - Repair of Passenger & Commercial Vehicles, Sale of Vehicle Spare Parts, Accessories, Components, and Tyres.
- Lighting & Power Tools** - Sale of Power Tools & Accessories, Lamps, Lighting Fittings and Lighting Accessories.
- Construction & Material Handling Machinery** - Sale and Service of Earth Moving Machinery, Road Construction Machinery, Fork Lifts, Racking systems, Tractors and Pumps.
- Diversified Activities** - Sale and Service of Telecommunication Equipment, Medical Equipment, Generating Sets, Turbines, UPS Equipment, Diesel Engines for Marine Propulsion, Rail Traction and Power Generation and the Business of Travel Agents.

	Vehicles		Vehicle Parts & Service		Lighting & Power Tools		Construction & Material Handling Machinery		Diversified Activities		Total	
	2008 Rs. 000	2007 Rs.'000	2008 Rs. 000	2007 Rs.'000	2008 Rs. 000	2007 Rs.'000	2008 Rs. 000	2007 Rs.'000	2008 Rs. 000	2007 Rs.'000	2008 Rs. 000	2007 Rs.'000
As at 30th June												
Business Segment Turnover & Results												
Total segment revenue	1,209,061	1,580,759	559,492	806,731	94,269	85,258	308,623	118,246	142,623	108,967	2,314,068	2,699,961
Inter-segment revenue	(59,406)	-	(17,141)	-	(699)	-	(17,431)	-	(7,019)	-	(101,696)	-
Total external revenue	1,149,655	1,580,759	542,351	806,731	93,570	85,258	291,192	118,246	135,604	108,967	2,212,372	2,699,961
Segment results	101,627	82,736	103,386	83,552	12,513	9,503	31,548	9,143	34,858	21,260	283,932	206,194
Unallocated income	-	-	-	-	-	-	-	-	-	-	5,919	4,730
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	(127,288)	(79,125)
Finance cost - net	-	-	-	-	-	-	-	-	-	-	(132,967)	(120,290)
Income from equity accounted investee	-	-	-	-	-	-	-	-	-	-	932	318
Income tax expense	-	-	-	-	-	-	-	-	-	-	(13,179)	(7,383)
profit for the period	-	-	-	-	-	-	-	-	-	-	17,349	4,444
Business Segment Assets & Liabilities												
Segment assets	1,720,059	2,657,293	925,483	370,221	149,943	156,179	501,616	423,233	228,701	410,827	3,525,802	4,017,753
Investment in equity accounted investee	-	-	-	-	-	-	-	-	-	-	25,943	21,968
Unallocated assets	-	-	-	-	-	-	-	-	-	-	1,709,005	1,339,367
Total assets	1,720,059	2,657,293	925,483	370,221	149,943	156,179	501,616	423,233	228,701	410,827	5,260,750	5,379,088
Segment liabilities	333,416	390,687	57,614	84,393	4,322	34,529	43,474	121,663	76,973	124,388	515,799	755,660
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	4,744,951	4,623,428
Total liabilities	333,416	390,687	57,614	84,393	4,322	34,529	43,474	121,663	76,973	124,388	5,260,750	5,379,088
Other Business Segment Information												
Capital Expenditure	4,908	2,778	3,860	3,769	992	162	199	323	3,294	250	13,253	7,282
Depreciation	3,009	3,039	9,075	9,183	157	136	1,830	220	1,785	1,077	15,856	13,655
Non-cash expenses other than depreciation	2,845	5,662	7,534	10,809	1,216	1,100	2,997	867	1,214	1,947	15,806	20,385



NOTES TO THE ACCOUNTS

2. The Interim Financial Statements of the Company & the Group have been prepared in accordance with the accounting policies set out in the Financial Statements for the year ended 31st March 2008, and are in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.

3. Basic earning per share is calculated by dividing the annualised net profit attributable to the ordinary share holders, by the weighted average number of voting ordinary shares.

4. CONTINGENT LIABILITIES

The Contingent Liabilities as at 30th June 2008, on guarantees given by the Company in respect of bid bonds and performance bonds amounted to Rs.416,011,809/- (Rs.320,522,967/- at 31st March 2008)

5. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events/circumstances have been arisen since the balance sheet date which would require adjustments to or disclosure in the Financial Statements

6. STATED CAPITAL

In accordance with Section 58 of the Companies Act No.7 of 2007, which became effective from 3rd May 2007, share capital and share premium have been reclassified as stated capital.

The Company repurchased 3,397,611 ordinary shares held by Hayleys PLC on 30th June 2008.

In terms of Section 63(3) of the Companies Act No. 7 of 2007, repurchased shares are deemed to be cancelled immediately upon acquisition by the Company. After the cancellation a further 8,702,389 shares remain in the hands of the shareholders of the Company. The Stated Capital remains unchanged upon the cancellation of the aforesaid shares.

7. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary, to conform with the current year's presentation



INVESTOR INFORMATION

Market Value of Shares

The market value of an ordinary share of Diesel & Motor Engineering PLC is as follows:

Year ended 31-Mar-08 Rs.		3 Months to 30-Jun.-08 Rs.	3 Months to 30-Jun.-07 Rs.
125.00 (April 16,2007) (April 19,2007) (April 21,2007)	Highest Price	140.00 (June. 16,2008)	125.00 (April 03,2007)
50.00 (Dec. 28,2007) 88.75 (Mar. 31,2008)	Lowest Price Closing	87.00 (April 16, 2008) 111.25 (June 30,2008)	90.00 (May 17,2007) 100.00 (June 29,2007)

Market Capitalisation

as at 31- Mar-07		as at 30-June-08	as at 30-June-07
1,073,875	Market Capitalisation(Rs.'000)	968,141	1,210,000

Share Trading

Year ended 31-Mar-08		3 Months to 30-June-08	3 Months to 30-June-07
319,000	No. of Shares traded	4,326,811	67,200
602	No. of Transactions	1,721	158
30,051,050	Value of Shares traded Rs.	657,335,360	6,800,200

Ratios

Consolidated Company			Consolidated		Company	
31-Mar-08	31-Mar-08		30-Jun.-08	30-Jun.-07	30-Jun.-08	30-Jun.-07
16.95	16.09	E.P.S. (Annualised)Rs *	7.26	1.47	1.42	0.34
136.95	124.50	Net asset value per share Rs*	126.48	121.87	108.54	110.71
0.63	0.65	Quick asset ratio	0.52	0.51	0.50	0.49
1.66	1.72	Interest cover (times)	1.22	1.10	1.08	1.05

*Earnings & net assets per share are based on the 8,702,389 shares in issue at 30th June 2008.



A Brand with a Future

Dimo represents over 50 of the world's leading brands in Sri Lanka. We offer customers access to the world's leading brands of passenger vehicles, commercial vehicles, material handling machinery, medical equipment, building technologies, telecommunication solutions, electrical engineering solutions, power engines, power generation equipment, power tools, lighting equipment and other accessories. We support this with a standard of after care that is on par with the world's best. We are now moving into other areas of entrepreneurship to support our core business and enhance our brand value.

Drivers of the DIMO Brand

Dimo's brand of entrepreneurship is driven by five core values:

- Creating sustainable value at the economic, social and community levels and empowering our diverse and multiple stakeholders
- Developing products and services driven by customer needs and aspirations
- Thinking out of the box and pushing innovation to the hilt
- Making work enjoyable and rewarding
- An unyielding commitment to the highest business ethics

This business framework, a unique type of Dimo flair, and an insatiable will to succeed, have helped us establish a new level of excellence for corporate activity in this country. Today we push that bar a little higher...