

The village council or '*gam sabaawa*' would meet to discuss the management of village affairs, resolve issues and develop strategies for the future.

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*Statements and reviews
by the Executive Management*

Shared efforts, shared success: the strength of the DIMO tribe.

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

“...at DIMO we build value in multiple ways. Our 75th year was another year of building sustainable value for the company, stakeholders and the environment.”

Nostalgic about past, excited about the future

In our 75th year of conducting business, we are excited for the future and nostalgic about the past. From humble beginnings DIMO has evolved over the decades to become one of the most innovative business houses in the country.

Automobiles remain our core business. The global automobile market grew by 3% in 2013 and for the first time global automobile sales exceeded 82 million units. Sales grew in China and the United States but continued to decline in Europe. The IMF reported a 3% growth in the global economy for the last year. The forecast for this year is 3.6% and 3.9% for 2015.

Sri Lanka recorded some impressive economic indicators, but the automobile sector showed a decline. However, DIMO's non-automobile segments delivered an improved performance and this made our profit before tax improve by 4.7%, compared to the previous year. A higher tax charge made the after tax profit reduce by 13%. By our standards this was a modest performance in a turbulent and challenging environment. The

Board has decided to pay a first and final dividend of Rs. 10 per share.

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WITH THE PRINCIPALS.***

Business at DIMO

Three key relationships define business at DIMO: our relationship with the customers; our relationship with the employees; and our relationship with the principals.

The bond that we share with our customers has been akin to a marriage, a lifelong commitment. Over and

over again our customers return to us with the certainty of our trust and excellence.

Our employees are the soul of the Company. We are successful in attracting the best skills and their inputs are what carry our business. In turn we have sought to give meaning to their aspirations and their lives. It is our culture to be sensitive to their lives and support their goals, thereby making DIMO a “great place to work”. Of our Assets, a long-term employee relationship is of great value. Our employees have powered the Company for 75 years with their commitment and for this I am very grateful.

It is our privilege to represent the best brands in the world while forming trusted ties with our principals over these 75 years. Their class and expertise have been a source of inspiration to DIMO. Today, we look

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“At DIMO our work ranges in scale from multi million-rupee precision engineering projects to the simple delivery of a single flawless bolt. To each of these transactions and to everything in between, we bring the identical degree of excellence, quality and care.”



A.R. Pandithage
Chairman/Managing Director



Chairman's Message

to acquire new principals, and develop long-term relationships in a similar manner to those maintained presently between us and our principals.

Driving Innovation

Innovation is a value that we pursue relentlessly. Unless companies constantly innovate they can never grow to their full potential. The DIMO 800 Mercedes-Benz Centre is a major step in this direction. The investment was substantial and the return is likely to take time. The leader we have become beckons us take on this challenge and move automobile care in this country to an unparalleled level. It is a centre like no other, offering unique, state-of-the-art care and services that are on par with the best in the world. We want to ensure that our customers have access to the best products and best after-sales services. We want to ensure that our employees have access to the latest technologies. DIMO will continue to provide the leadership that we have imparted on the automobile industry in this part of the world.

Strategic Focus

DIMO's strategic focus is on nourishing and nurturing its different types of capital. This is done through innovative and responsible value creation activities that add value to the Company's diverse forms of capital. Sharp business strategies ensure the Company remains competitive, a much sought after employer, and in many cases, a pioneer of new and responsible value-creation processes.

Responsible Entrepreneurship

The value creation model we have adopted ensures that the diverse forms of capital in which we invest in are replenished and enhanced. At the same time the Group stands firmly by its value framework that is a key motivating factor for the Company. 'Responsible entrepreneurship' is the overarching framework of all of the Company's activities and DIMO remains committed to perpetuating these values.

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Our value creation story

The fourth integrated report published this year revolves around DIMO's unique value creation model. The Company's capital and value-creation activities are discussed in different sections of the report together with strategies. We have supplemented these with candid disclosures of our

Monetised Value
Created.
Rs.6.2 bn

corporate governance processes and our approach to risk management.

Re-imagining Governance

Good governance leads to positive and sustained growth and DIMO sees itself as a trailblazer where corporate governance is concerned. We are scrupulous about following all disclosure requirements and to ensure the expected accountability processes are integrated into each tier of the Company's governance structure.

Sustainable growth

How much value we add is as important as how we create value. The process is as important as the product. Our management approach and value-creation model allow us to blend corporate strategy with corporate responsibility seamlessly. We take responsibility for every step of the supply chain, and sustainability is built into all aspects of the Company's operations.

**WE HAVE MADE
SIGNIFICANT
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THESE INVESTMENTS
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DELIVER.**

Adapting to change

As a Company we continue to re-define ourselves. Entrepreneurship is about breaking boundaries and adventuring forward. Vehicles will continue to remain our core business. At the same time we will look at new opportunities in newer markets while ensuring that the DIMO brand is safeguarded against the vagaries of local and global economies.

We have made significant investments, within our capacity, to all segments of the Company's operations. These investments are now beginning to deliver. We are confident that we can ride the wave of post-war growth that the country is experiencing, while contributing to its growth.

My thanks

Many factors have contributed to the triumphant journey that our Company has taken so far. To our customers, our employees and our principals, thank you for inspiring us and placing your faith in DIMO.

To my colleagues on the Board, thank you for your astute guidance. My special thanks to Gladwin Peries, who retires from the Board after 37 years. Thank you for the contribution you have made to the future of DIMO.

Here to stay

The DIMO Tribe was exemplary in managing the good and the bad times of the past 75 years.

We are here to stay.



A.R. Pandithage
Chairman/Managing Director

23rd May 2014
Colombo

Living up to our heritage

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

*“DIMO continues to focus on responsible value creation.
The Group understands the need to create wealth for shareholders
and for multiple other stakeholders.”*

A cut above the best

DIMO had a comfortable year. It was not a year for great celebration. Nor was it a year of gloom. It was a year of moderate performance where the Group continued to build on the accomplishments of the past years. It would have been a year of great celebration had we had a more favourable tariff regime for vehicles, but that was not to be. The strategy of spreading our net into other areas ensured that the Group's overall performance was still a good one.

The macro-economic climate improves

The macro-economic climate was positive and enabling during 2013. The GDP grew by 7.3%; AWPLR reduced from 13.37% to 8.57%; the rupee remained relatively stable during the financial year and inflation dropped from 7.6% to 6.9% in 2013.

The Group's operational activities are mainly in transport, construction, power, and healthcare. The transport sector grew by 9.4%; the construction sector by 14.4%; the power sector by 11.3% and government expenditure on healthcare increased from Rs. 99,101

*THE MACRO-ECONOMIC
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million in 2012 to Rs. 119,530 million in 2013.

Building on past accomplishments

Despite these solid indicators the registration of vehicles (excluding three wheelers and motor bicycles) dropped to 128,991 compared to 173,465 the previous year. The registration of 'commercial vehicles', which is a significant market for DIMO, dropped by 29% during the year under review.

Tariffs for passenger vehicles remained high during the year. This had an adverse impact on the Group's overall performance.

DIMO's performance in the non-automobile sector exceeded expectations. The Marketing & Distribution and Electromechanical, Bio- Medical and Marine Engineering

segments of the company's operations delivered startling results and gave us an inkling of the potential these sectors offer. The construction and material handling sector too performed well capitalizing on the momentum the industry is generating in Sri Lanka.

*THE MARKETING &
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BIO- MEDICAL AND
MARINE ENGINEERING
SEGMENTS OF THE
COMPANY'S OPERATIONS
DELIVERED STARTLING
RESULTS*

Responsible value creation

DIMO continues to focus on responsible value creation. The Group understands the need to create wealth for shareholders and for multiple other stakeholders. The Group's business model is designed to take this vision into account and its supply chain processes pursue this goal relentlessly.

“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.”



A.G. Pandithage
Director/Chief Executive Officer

CEO's Message

The Group's human resource policies, including its approach to innovation, its code of ethics, quality management systems, environmental management systems and performance management systems ensure that the company delivers consistently, and most importantly, responsibly.

Enhancing capacity

The impressive GDP growth rates recorded in the recent past have prompted the company to increase the capacity in every sense. The company has invested in capacity across all business segments. This includes the number of customer interaction points, the number of work bays, the distribution networks, building employee competencies, and expanding the product portfolio.

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The new Mercedes Centre

The new Mercedes DIMO 800 Centre opened in May 2014. This state-of-the-art facility on a 621 perch property

THE NEW MERCEDES DIMO 800 CENTRE OPENED IN MAY 2014. THIS STATE-OF- THE ART FACILITY ON A 621 PERCH PROPERTY WHICH HAS 25,748 SQUARE METERS OF SHOWROOM, WORKSHOP, OFFICE AND PARKING SPACE HAS PUT THE COMPANY AHEAD OF ITS COMPETITION.

which has 25,748 square meters of showroom, workshop, office and parking space has put the company ahead of its competition.

Establishing a presence in Jaffna

The new showroom and workshop facility in Jaffna will be operational soon. This will reach out to a population segment that has been deprived of world class services during several years of war.

Taking DIMO forward

The high tariff regime for vehicles continues to have an impact on the company's performance. The expectation was that the end of the war would have unleashed a lower tax regime.

The company however, continues to innovate by broadening its range of vehicles and by moving into new areas of activity. The company also has to face the challenge of the tariff concessions offered to vehicles assembled locally.

The rapid growth in infrastructure development, construction and power sectors has attracted new players. DIMO is confident that its vintage brand, 75 years heritage, strong relationships with world class principals and its focus on innovation, will help us meet any competitive challenge that the evolving market may offer.

DIMO is upbeat about the opportunities that are unfolding. In 75 years the company has been through a multitude of changes and challenges. It is optimistic about the country's future and about the company's future. The Budgets show that the year ahead will be a better one.


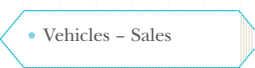



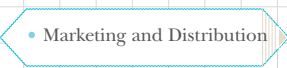








A.G. Pandithage
Director/Chief Executive Officer

23rd May 2014
Colombo

Group Structure and Group Management Committee

Group structure

Name of the Company	Division	Segment	No. of Directors	Directors
Diesel & Motor Engineering PLC <i>Company Reg No.: PQ 146</i> <i>Year of Incorporation: 1945</i>	 <ul style="list-style-type: none"> Automobile 	 <ul style="list-style-type: none"> Vehicles - Sales 		A.R. Pandithage (Chairman/MD) A.G. Pandithage (CEO) A.N. Algama S.C. Algama Dr. H.Cabral B.C.S.A.P. Gooneratne Prof. U.P. Liyanage A.M. Pandithage R. Seevaratnam R.C. Weerawardane
		 <ul style="list-style-type: none"> Vehicles - After Services 		
	 <ul style="list-style-type: none"> Marketing & Projects 	 <ul style="list-style-type: none"> Marketing and Distribution 		
		 <ul style="list-style-type: none"> Construction & Material Handling Equipment and After Services 		
Dimo Travels (Pvt)Ltd <i>Company Reg No.: PV1256</i> <i>Year of Incorporation: 1975</i> <i>Holding: 100%</i>	 <ul style="list-style-type: none"> Travelling 			A.R. Pandithage (Chairman) S.C. Algama M.V. Bandara E.D.C. Kodituwakku.
Dimo (Pvt) Ltd <i>Company Reg No.: PV2317</i> <i>Year of Incorporation: 1980</i> <i>Holding: 100%</i>	 <ul style="list-style-type: none"> Industrial Solutions 	 <ul style="list-style-type: none"> Electro Mechanical & Bio Medical Marine Engineering 		A.R. Pandithage (Chairman) S.C. Algama (Managing Director) R.H. Fernando B.C.S.A.P. Gooneratne A.G. Pandithage W. Pushpawela C. Ranawana R.C. Weerawardane
Dimo Industries (Pvt) Ltd. <i>Company Reg No.: PV1260</i> <i>Year of Incorporation: 1979</i> <i>Holding: 100%</i>				A.R. Pandithage (Chairman) S.C. Algama A.C.G. Dias B.C.S.A.P. Gooneratne A.G. Pandithage R.C. Weerawardane

DIMO Group Management Committee Members

A.R. Pandithage
Chairman/ Managing Director

A.G. Pandithage
Director/Chief Executive Officer

S.C. Algama
Executive Director

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

A.C.G. Dias
General Manager -Tyres

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

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

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

A. Mapalagama
General Manager -Infrastructure
Development

N. Mudannayake
General Manager -IT

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

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

R.C. Weerawardane
Executive Director