




The traditional agriculture-based lifestyle of rural people saw them come together to work on each other's fields during the harvest seasons. People would also help each other to thatch roofs or repair each other's homes; the close-knit ties and community support systems that still exist today.



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Value Creation Report



Value Creation Report

The value creation report offers a detailed analysis of how we use our capitals to create lasting value for all our stakeholders.

Win win

At DIMO we have been relentlessly fine-tuning our value creation process and delivery for many years. Because however big we grow, the creation of value for every one of our stakeholders remains our primary purpose. Our value creation activities use inputs or contributions from our four capitals - monetised capital (which includes financial capital, property, plant and equipment), stakeholder, intellectual and environmental capital, to achieve our purpose. The efficient and productive management of our capitals and processes is what we pride ourselves upon, for therein lies the key to the efficient and continuous delivery of rising value.

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

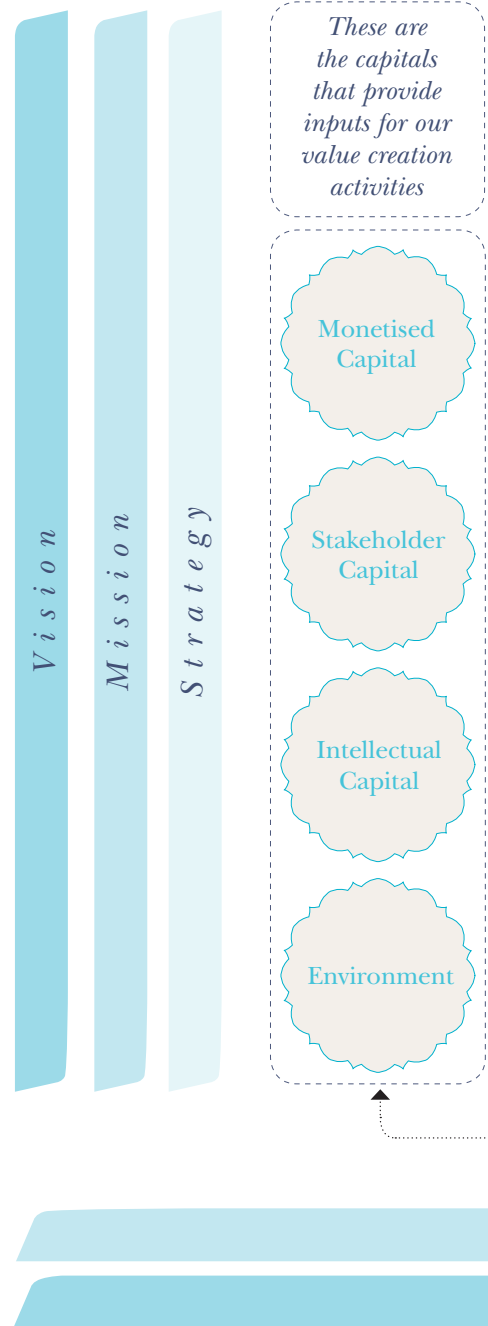
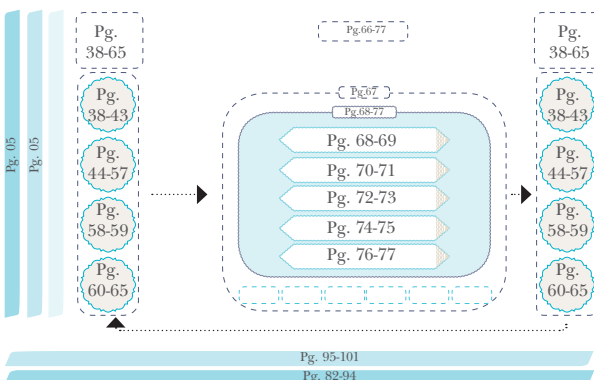
creation, in order to maximize the value created.

The final element in our value chain is the responsible corporate citizenship that we have always prioritised from 1939 to this day, not just because we know that our stakeholders' belief in us depends upon it but because it is the standard of governance we live by.

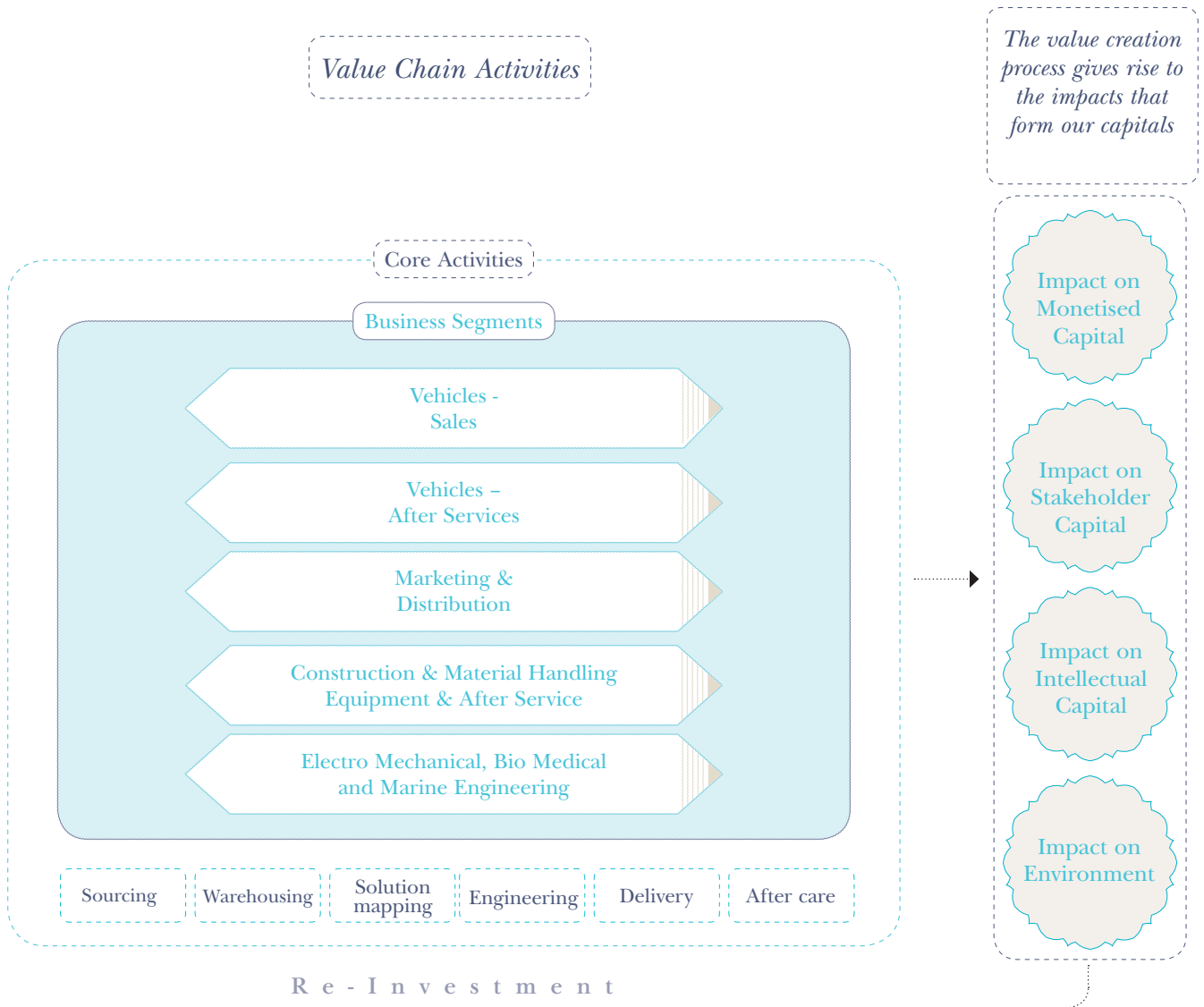
In the end the cycle is a perfect one, in which our capitals or value stores provide inputs for the value creation activities, leading to outputs and impacts upon our capitals.

And that is how we add value to every activity we undertake, however great or small. In short, it is how we seek to leverage our core strengths, our expertise and our resources to produce a win-win result for both DIMO and every stakeholder who trusts us to deliver on every promise we make.

*Note:
 You may follow the page guide below for details on each element of the value creation model*



Value creation model



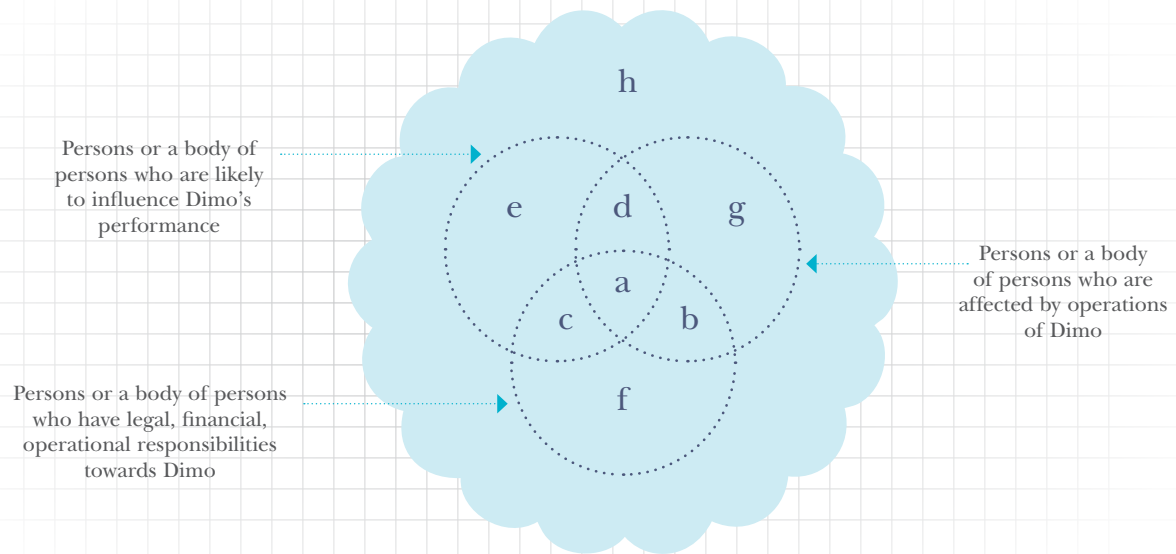
Risk Management

Corporate Governance

Adapted from the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

Value Creation Report

Stakeholder identification mechanism for engagement



Stakeholder identification Mechanism

The company's stakeholders were comprehensively identified by the Sustainability Committee, using data that was independently collected from various stakeholder groups. The criteria used to identify the stakeholders of the company were as follows:

- * Those who exhibited all three of the identified characteristics were regarded as the most important for engagement. (a)
- * Those who exhibited any two of the identified characteristics were regarded as the next most important for engagement. (b,c & d)

- * Those who exhibited only one or none of the identified characteristics were not, as a rule, considered for periodic engagement. However, the Sustainability Committee would decide to include any party for periodic engagement, notwithstanding the mentioned criteria, in cases where it was warranted. (e,f,g and h)

Stakeholder engagement mechanisms

The Group engages stakeholders on a periodic basis with a view to identifying stakeholder expectations. A table containing the frequency at which such engagement takes place and the methods of engagement is given

below. Any major concern relating to sustainability identified during the stakeholder engagement process is escalated to the Board of Directors. During the year, there were no such concerns that were identified, which warranted consideration or review by the Board.

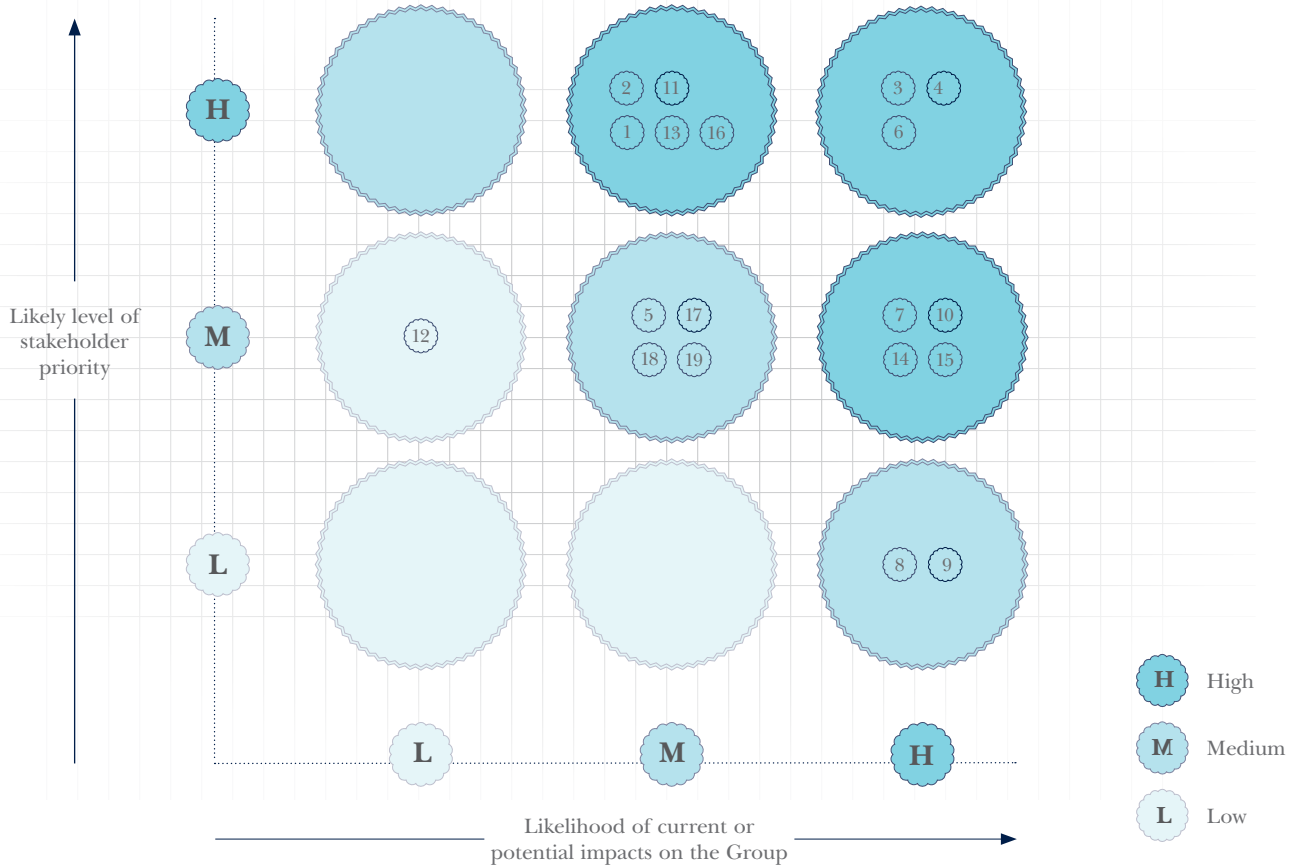
The table below illustrates how we engage with our important stakeholder groups.

Stakeholder	Engagement Method	Frequency
Shareholders <ul style="list-style-type: none"> • Owners • Providers of capital 	<ul style="list-style-type: none"> • One-to-one interviews (by independent parties) • Annual General Meeting provides an opportunity to review the past year's performance and engage in discussions with the management • Annual Report • Quarterly reports providing a quarterly review of Performance. • Company Website • CSE website 	<ul style="list-style-type: none"> • Once every 3 years • Once a year • Once a year • Once every quarter • Online • Online
Employees <ul style="list-style-type: none"> • The key resource for competitive advantage and sustainable growth 	<ul style="list-style-type: none"> • One-to-one interviews (by independent parties) • Focus group discussions (by independent parties) • Employee Council meetings • Employee Portal of the company network accessible to every employee. • Annual strategic planning meeting • Company's 'Open Door' policy encourages direct employee – management dialogue. • Annual Employee Surveys - voluntary and confidential. • HR Clinics • Individual Performance Reviews – bi-annually • Employee Reward and Recognition 	<ul style="list-style-type: none"> • Once every 3 years • Once every 3 years • Once a month • Continuous • Once a year • Continuous • Once a year • Bi annual basis across all business units. • Continuous • Continuous
Customers <ul style="list-style-type: none"> • Principal source of sustenance 	<ul style="list-style-type: none"> • One-to-one interview • Customer Relationship Management process (CRM) enables the company to keep in touch with the customer on a daily basis. It helps to respond to queries and problems from the customer. 'Problem solving' for challenges the customer faces is also done through the CRM process. • A Customer Satisfaction Index maintained by each business unit provides an assessment of satisfaction levels and helps to improve problem solving capacities within the Company. • DIMO "Fleet Owners Clubs" for Loyalty Customers • "Mercedes-Benz Club" • 24 hour roadside assistance 	<ul style="list-style-type: none"> • Once every 3 years • 24 hours, 7 days • Once a month/quarter • Continuous • Continuous • 24 hours, 7 days
Business Partners & Suppliers <ul style="list-style-type: none"> • Critical component of the Value chain 	<ul style="list-style-type: none"> • One-to-one interview (by independent parties) • A high speed 24 x 7 online link enables constant dialogue with principals. Issues discussed include product quality, marketing, customer satisfaction, 'problem solving' and employee motivation. • On-site visits from principals and on-site visits to principals' location facilitate engagement. 	<ul style="list-style-type: none"> • Once every 3 years • Continuous • Continuous
Society <ul style="list-style-type: none"> • Local immediate communities • Stakeholders in sustainable development • Regulatory and government agencies 	<ul style="list-style-type: none"> • One-to-one interviews (by independent parties) • Focus groups discussion (by independent parties) • Dialogue with Religious Dignitaries • Written and oral communications initiated by stakeholders • Company website • One-to-One Interview 	<ul style="list-style-type: none"> • Once every 3 years • Once every 3 years • Continuous • Continuous • On line • Once every 3 years

Value Creation Report

Materiality of stakeholder issues

Arising from the stakeholder engagement process, the expectations were rated, assigned and prioritised.



Issues indicated in this area are of high significance and impact on both the stakeholders and the organisation. All indicators shown in this area are fully discussed in the Annual Report and in the corporate website.

Issues indicated in this area have a relatively moderate impact on our business. They too were addressed during the reporting period and are fully or partially reported in the Annual Report and in the corporate website.

Issues found in this area of the grid have only a minor impact thus may only be reported in the corporate website.

- 1. Emissions, effluents & waste
- 2. Technical education for youth
- 3. Customer health & safety
- 4. Economic performance
- 5. Employee training & education
- 6. Occupational health & safety
- 7. Compliance
- 8. Materials consumption

- 9. Anti-corruption
- 10. Procurement practices for local suppliers
- 11. Customer privacy
- 12. Ethical marketing communications
- 13. Community development
- 14. Mutually beneficial relationships with suppliers

- 15. Energy consumption
 - 16. Employee remuneration and benefits
 - 17. Product & service labelling
 - 18. Water
 - 19. Employee relations
- Aspect Boundary within the organisation
 ● Aspect Boundary outside the organisation

Status of material issues

Stakeholder concerns (both positive and negative) were considered to update the material issues. The materiality analysis has been brought

up-to-date by adding key inputs and replacing outdated information based on the feedback received from stakeholders. This analysis traces the issues raised, their materiality status

(whether it increased, decreased, remained unchanged from the previous year, or emerged newly in the current year), and the reasons for the shift of status and the Group's response.

Status of material issues - 2013 vs 2014

Material aspect	Issues raised by	Status of Material Issues	Possible Reason for the Shift	Response
Emissions, Effluents and Waste	Society	◆		Our Environment Management System is constantly working towards minimising emission levels.
Technical Education for Youth	Society	◆		We will continue to facilitate external trainees to receive on the job training at no cost.
Customer Health and Safety	Customer	◆		We will continue to leverage the specifications and inbuilt health and safety aspects of our blue-chip product portfolio along with our own initiatives to reinforce this aspect.
Employee Training and Education	Employee	◆		Continuous training and development programmes conducted for the employees.
Occupational Health and Safety	Employee	◆		Gap Analysis for Occupational Health and Safety Standard (OHSAS) completed.
Investment and Procurement Practices for Local Suppliers	Local suppliers	▲	Suppliers are not aware of the content of supplier code prepared by the Company.	Will be conducting awareness programs and supplier audits to educate suppliers on the supplier code of conduct
Water	Society	◆		Increase the percentage of recycled/reused ground water.
Ethical Marketing Communications	Customer	▼	No hindrance to society in terms of ethical marketing practices.	Company communication policy ensures strict compliance with regulations and codes concerning ethical marketing practices.
Local Communities	Society	◆		A process to measure community impact precedes all relevant Company activity.
Mutually Beneficial Relationships with Suppliers	Suppliers	◆		Constant contact and sharing of information continues. Reports, to Principals will address expectations of Principals.
Energy Consumption	Society	▼	Reduction in energy usage due to strict energy management	Energy saving measures are implemented across the organisation.
Employee Benefits	Employee	▼	Increasing confidence and trust employees place in Dimo.	Dimo seeks to exceed industry levels wherever possible in delivering benefits to employees.

▲ Materiality of issues increased ▼ Materiality of issues decreased ◆ Materiality of issues remains same ■ New Issues identified

Value Creation Report

A review of monetised capitals and value creation activity that can be captured in monetary terms.

Monetised Capital

Aspect	Measure	2013/14	2012/13	2011/12	2010/11	2009/10
	Turnover (Rs. mn)	20,884	27,711	39,863	29,357	10,530
Profitability	Gross profit ratio (%)	20.87	15.21	18.23	20.30	22.70
	Net profit ratio (%)	1.90	1.70	6.81	7.20	2.40
Working capital management	Current ratio (times) at the year end	1.50	1.71	1.60	1.27	1.28
	Quick Assets Ratio (times) at the year end	0.70	0.72	0.36	0.84	0.78
Asset Utilization	Asset Turnover (times)	3.10	4.98	8.55	9.59	4.92
Investments	Capital expenditure as percentage of total assets (%)	8.66	8.50	6.20	9.90	7.00
Capital structure	Debt/Equity (%) - at year end	23.15	10.10	13.40	9.80	30.20
	Interest cover (times)	2.42	2.24	15.67	17.35	2.12

Guiding philosophy

Monetised capital consists of financial capital and manufactured capital. Financial capital is the pool of funds available for DIMO to create value. Manufactured capital is made up of manufactured physical objects available to DIMO to carry out its value creating activities, represented by property, plant and equipment. For the purpose of this report, land is classified under monetised capital and not under environment capital.

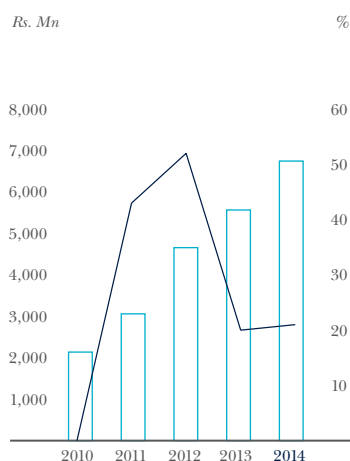
Monetised capitals together with inputs from the other capitals power the value creation activities. This section provides a review of monetised capitals and value creation activity, outputs and outcomes that can be captured in monetary terms.

Overview

In a challenging trading environment, the Group delivered a turnover of Rs. 20.8 bn through the prudent management of its value creation process. The Group recorded a profit before tax of Rs.512.8 mn and earnings per share of Rs.44.34.

Capital expenditure

The Company continued with the planned investments to expand capacity. An amount of Rs. 1,393.5 mn. (Rs. 1,094.4 mn in 2012/13) was incurred on acquisition of property, plant & equipment (PP&E) during the year. Of this, Rs. 1,223 mn was spent on the construction of the Mercedes Centre, the single largest investment planned. Other items include acquisition of plant and machinery amounting to Rs.14.4 mn and computer software amounting to Rs.40.3 mn.



Growth in Property Plant & Equipment

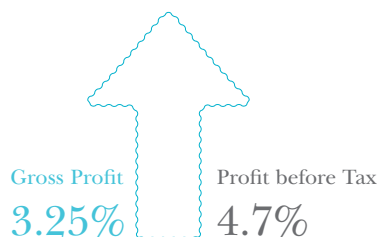
Property Plant & Equipment (Rs. Mn) — Growth %

Turnover

The Group turnover decreased by 25% to Rs. 20.8 bn when compared with last year's turnover of Rs. 27.7 bn. A 36% reduction in the turnover of the vehicle –sales segment was the main reason for the decrease.

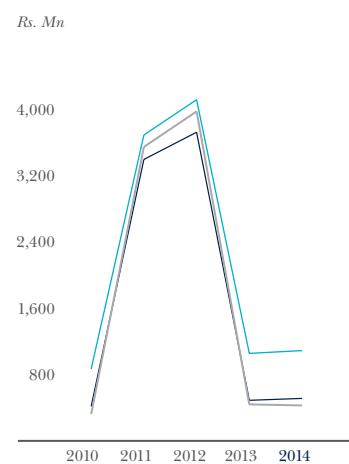
Profitability

The gross profit margin increased from 15.21% to 20.87% in 2013/14. Profit before taxation shows a 4.7% increase compared to the last year's figure of Rs. 490 mn. The increase in gross profit and reduction in finance cost collectively triggered the increase in the Group profit before tax.



Earnings

Earnings before interest and tax (EBIT) for the year reduced to Rs.874.5 mn from Rs. 885.5 mn the previous year while net profit after tax decreased to Rs.393.5mn from Rs.454 mn. Following suit, earnings per share (EPS) reduced to Rs.44.34 from Rs. 51.16. The computation of EPS is given in Note 4.7 to the Financial Statements.



Earnings

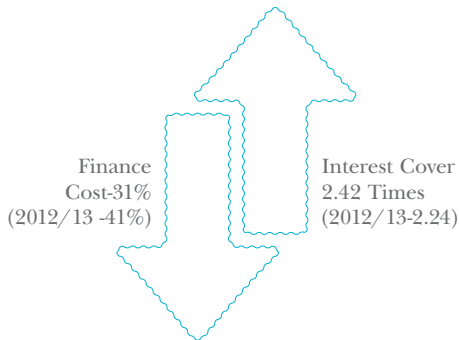
EBITDA — EBIT — Profit Before Tax

Finance expenses

Finance cost, which is usually a significant component in the cost structure, reduced by 31% to Rs.437 mn from Rs.636 mn in the previous year. This was mainly due to the reduction of interest rates.

The increase in borrowings is mainly attributable to the financial investment in the New Mercedes-Benz Centre. During its construction period the finance cost relating to financing of the investment is capitalised as required by LKAS 23 - Borrowing Costs.

Value Creation Report



Taxation

The income tax expense for the year was Rs.119.3 mn (Rs.35.9 mn – 2012/13). The rate of income tax applicable to the Company and subsidiaries was 28%, whilst the rate of income tax applicable for exports was a concessionary rate of 12%. The qualifying payment under Section 34 (C) of the Inland Revenue Act No. 10 of 2006 and amendments thereto, on account of the investment in the Mercedes Benz Centre enabled the Group to lower its tax charge for the year and for the preceding year.

Details of income tax charge for the year are available in Note 4.6 to the Financial Statements. The tax expense includes a tax charge of Rs. 44 mn on account of deferred tax (Rs. - 42 mn - 2012/13). A summarized computation of deferred tax is given in Note 4.23 to the Financial Statements.

Dividends

The Directors have approved a final dividend of Rs.10 per share (first & final dividend of Rs. 10 per share

in 2012/13) for the year ended 31st March 2014. The gross dividend approved for the year amounted to Rs.88,764 mn (Rs. 88,764 mn – 2012/13). The dividend cover was 4.4 times (5.1 times in 2012/013).

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

Solvency

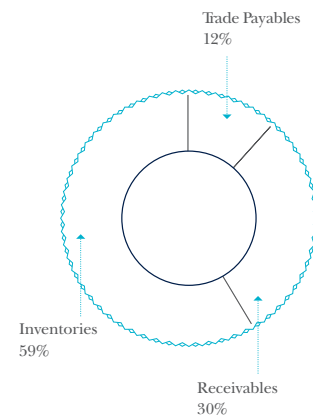
Section 56 of the Companies Act No. 7 of 2007, requires that a solvency test be carried out prior to the payment of dividends. In order to satisfy this requirement, the Company Auditors certified that the Company meets the requisite solvency levels for payment of the approved dividend.

Return on equity (ROE)

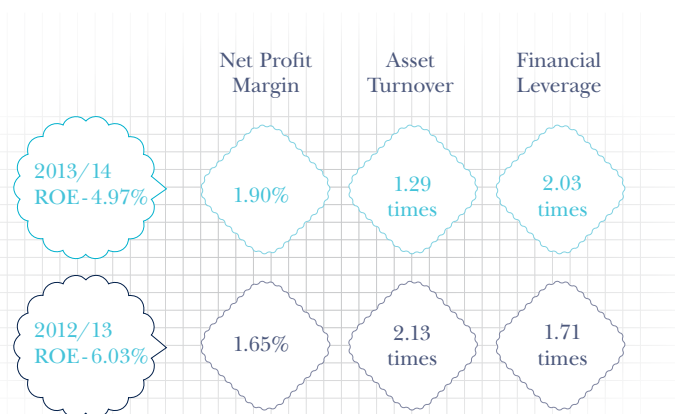
Consequent to the reduction in the profit before tax, ROE decreased to 5.15% from a ratio of 6.1% in the previous year.

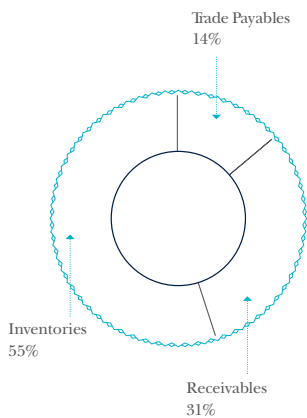
Working capital

The Group's current ratio at the year-end was 1.50:1, which is a reduction from the corresponding ratio of 1.71:1. Prudent management of working capital continues to be a key focus area and receives focused attention on a priority basis. Inventories as at the year end increased to Rs. 4,867 mn compared to the Rs. 4,141 mn previous year. Year end trade and other receivables increased to Rs. 2,742 mn from a corresponding figure of Rs. 2,086 mn. The increase in trade receivables can be mainly attributed to higher level of turnover in March 2014 compared to March 2013.



Working Capital 2012/13





Working Capital 2013/14

Borrowings

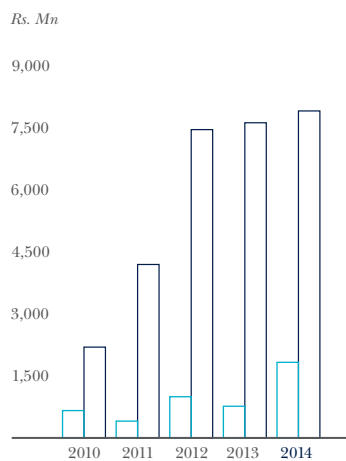
Long-term debt was obtained mainly to finance PP&E. The outstanding long term debt as at 31st March 2014 was Rs.1,832 mn (2012/13 - Rs.770 mn), details of which are given in note 4.21 to the financial statements. Short term borrowings were obtained to finance working capital. The outstanding balance as at 31st March 2014 on account of short term loans was Rs. 4,117 mn (2012/13 Rs. 2,647 mn). Consequently, a total of Rs.5,950 mn (2012/13 Rs. 3,417 mn) was outstanding on account of short and long term borrowings as at 31st March 2014. Interest rates on overdrafts are reviewed periodically while rates charged on short term/import loans are determined based on market rates.

Cash flow

The outflow on account of interest and dividend payments amounted to Rs.431 mn and Rs. 88 mn respectively. Outflow on account of Capital Expenditure during the year was Rs. 1.3 bn. (Rs. 1 bn 2012/13). The Group possesses the necessary banking facilities to support its operations.

Debt to equity ratio

The Group's debt to equity, which is calculated as a proportion of the total interest bearing borrowings to equity has increased to 23.15% from 10.10%. Increase in the total Debt (from Rs.770 mn to Rs. 1,832 mn) caused the increase in the Debt to Equity Ratio.



Capital Structure

□ Borrowings □ Equity

Value Creation Report

Statement of monetised value added and value distributed

The statement of value added given below shows the monetised value derived from customers and the manner in which it has been distributed.

Statement of Value Added								
For the period of	Group				Company			
	2013/2014		2012/2013		2013/2014		2012/2013	
	%	Rs:'000	%	Rs:'000	%	Rs:'000	%	Rs:'000
Gross turnover		20,884,674		27,711,604		19,185,246		26,496,949
Other income		69,419		40,321		69,722		38,305
Less : Cost of material and services bought in		(14,669,059)		(21,965,396)		(13,543,863)		(21,118,134)
Value Added		6,285,034		5,786,529		5,711,105		5,417,120

Distribution of Value Added								
Employees	31	1,946,395	29	1,657,099	30	1,716,714	27	1,480,637
Government	52	3,244,962	51	2,971,591	54	3,043,731	55	2,901,017
Lenders	06	361,698	07	395,480	6	348,029	7	389,620
Community Investment -Donation	00	43,848	00	52,122	0	36,602	0	51,522
Shareholders	01	88,764	02	88,764	2	88,764	2	88,764
Retained in the business	10	599,366	11	621,472	8	477,265	9	505,560
Depreciation set aside	04	205,825	03	167,385	3	197,346	3	160,665
Profit retained	06	393,541	08	454,087	5	279,919	6	344,895
Value Distributed	100	6,285,034	100	5,786,529	100	5,711,105	100	5,417,120

Treasury management

The Group operates a central treasury function. It controls decisions in respect of cash management, utilisation of borrowing facilities, banking relationships and foreign currency exposure management. Further, it enables effective cross utilisation of funds between Business Units.

Financial priorities

The Group has to gear itself to ride the post-war economic wave. The following financial priorities have been identified in order to be in a state of readiness to pursue the opportunities that the rapid economic development will present to the Group.

- * Financial investment in capacity building in order to drive growth.
- * Optimising profitability through value addition and efficient utilisation of resources particularly through prudent working capital management.
- * Striking a balance between growth and immediate profitability in allocating financial resources.
- * Maintaining a healthy Balance Sheet.

Forward looking note

We are focused on improving profitability through cost management, greater efficiencies, higher value addition and productivity improvements. We will continue to diversify the revenue sources and reduce high dependence on the auto segment. Overall, the budgets for 2014/15 projects an improved performance compared to 2013/14.

Value Creation Report

A close look at what our employees bring to the process of value creation.



Employees

Aspect	Measure	2013/14	2012/13	2011/12	2010/11	2009/10
Team strength	No. of employees	1519	1,521	1,339	1,019	864
Employee attrition ratio	Employee turnover as percentage of average employees (%)	17.20	21.81	21.10	19.30	14.20
Gender distribution	Female employees as a percentage of total employees	10	10	11	10	9
Age distribution	Percentage of employees below 40 years of age	79	79	81	76	72
Employee satisfaction	Employee Satisfaction Index (%)	61.10	53.46	62.7	54	54
Knowledge and skills development	Average training hours per employee	13.10	16	13.52	10.9	10.34

Guiding philosophy

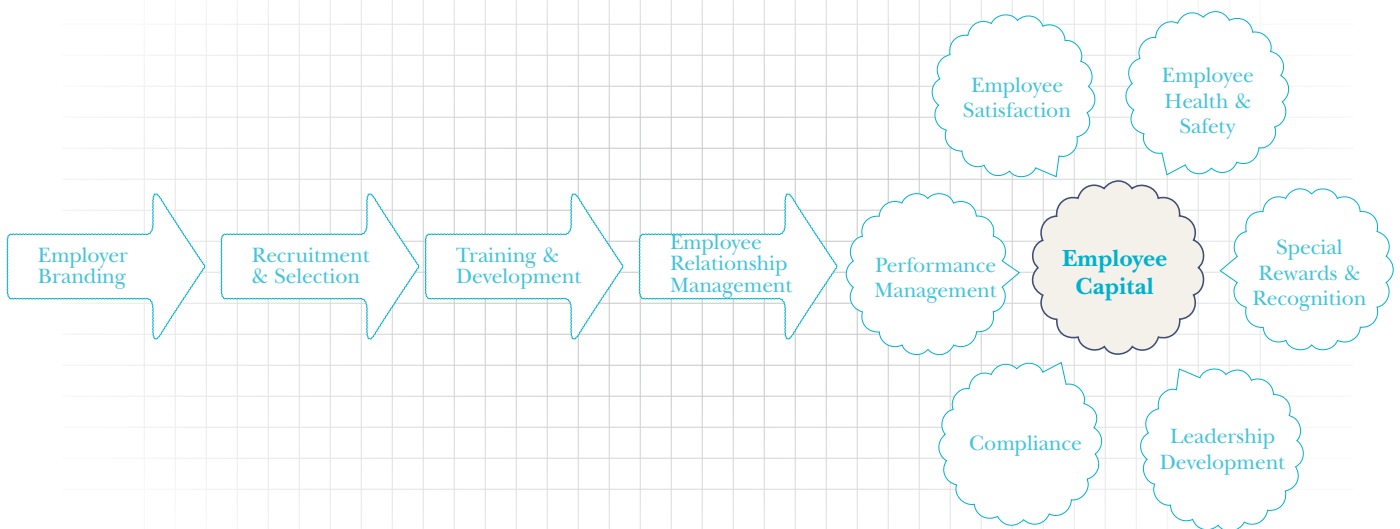
Employees provide the fire and passion to the process of value creation. They guide the Company through its supply chain, providing direction to what it does and delivering enhanced value for the Company, the environment, other stakeholders, and for themselves.

Seeking the best talent, playing the game according to the highest standards of ethics and compliance, providing opportunities for employees to evolve, grow and learn, responding to their expectations and creating new opportunities for them, are very much a part of the DIMO philosophy.

Planting a Seed ... and watching it grow

Building human capital starts with talent seeking, continues with talent acquisition and then seeks as its goal, talent transformation and evolution. The Company's philosophy is focused on transforming employees from being

Building Employee Capital



part of an organization to being part of a vision and a passion; to invest and move employees from mere physical belonging to emotional commitment and self-discovery.

The Magnetism of the brand

The value the Company adds to its brand has many benefits, one of which is to attract new and accomplished talent into the organization. The work of the company, the working environment, the accolades it receives and satisfaction levels of existing employees combine to enhance employer brand value and attract new and talented recruits to DIMO.

The Company has over the year sought partnerships and collaborations with universities and technical institutes, both as a way of building value for those institutions and as a way of attracting some of their best talent. This is complemented by the strategic use of social media to market DIMO and attract new human capital.

DIMO has also invested in the development of its own training schools with a view to capturing and nourishing talent. Today, universities, technical schools, NAITA, and the Company's own training schools are the main source of the company's new talent. During the year under review 258 new employees were recruited and 260 employees left DIMO to pursue other opportunities.

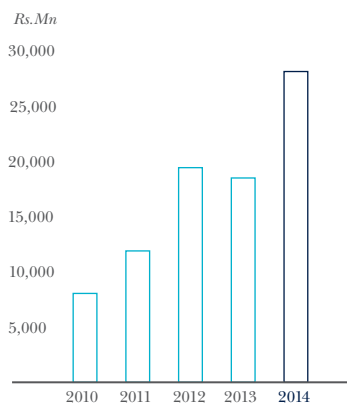
Nurturing Talent

Training requirements are identified through an annual evaluation of employees. The results of this are analysed and then training and skills development programmes designed to respond to the feedback provided by employees.

A total of 295 training interventions were implemented over the past year. Training was provided in Sinhala, Tamil and English. The average training hours per employee for the year was 13.00 (16.00 in 2012-13). In addition 83 employees had the opportunity to hone their skills in several overseas environments.

Value Creation Report

Training is not confined to work related skills. It extends to personality development, including emotional and physical growth and is aimed at the full flowering of the human personality.



Average investment on training per employee

Managing talent

Communicating with employees and providing channels for them to communicate horizontally and vertically is vital if capital is to be nourished. The human resources division visits locations on a periodic basis where employees can meet representatives and voice grievances or discuss other matters.

The Company's Employees' Council enables employees and management to have regular and candid discussions on a variety of matters pertaining to the Company's activities. These discussions cover matters such as working conditions, recruitment policy and Company strategy.

A comprehensive grievance policy enables all employees to take their grievances before an independent mechanism. Grievance response seeks to ensure that all employees receive a fair hearing and that the responses are forward looking. The Company ensures that it responds to grievances within 10 days. Last year 28 grievances were received by the management, all of which were satisfactorily resolved.

The Company's human resource and human capital policy is available on the Company's intranet and is accessible to every employee. The Employees' Council meet once a month and provides an effective forum for a constructive dialogue between the management and the employees.

The Company is committed to protecting the human rights of all employees and this is closely integrated into the Code of Business Ethics of the company. The Company is committed to equal opportunity for all employees and to ensuring a safe and secure environment in all its workspaces. The HR policy ensures that employees are not discriminated against on the basis of gender, ethnicity, caste, old school ties or other distinction. The Company has a whistle-blowing policy which is accessible to any employee with the requisite confidentiality guarantees. The Code of Business Ethics and the whistle-blowing policy are accessible on the Company's intranet.

Expenses related to professional advancement and the acquisition of knowledge are reimbursed by the Company. This includes subscriptions to the memberships of professional associations.

Work is also fun at DIMO. The 'Biggest Loser' competition attracted a lot of attention and some serious competition for the title. The DIMO quiz was keenly contested as it is each year. The Toastmasters' Club provided an opportunity for employees to showcase their oratorical skills.

Managing performance

Employees are evaluated twice a year against key achievements. Competencies and personal development are discussed and feedback encouraged. A computer based performance management system allows supervisors to evaluate performance and manage employees in a structured manner. Innovation is encouraged at all levels. Incentives are offered to high performers and ultra-high performers are provided with additional incentives.

Cultivating leadership

Value is enhanced by identifying strategic channels of leadership. The Company gives priority to identifying leaders and providing opportunities for them to develop their talent. Every year the Senior Management team is provided with opportunities for participating in programmes at some of the leading universities in the world. The company's 'D-talent programme', is designed to fast-track young talent, and continued to focus on young employees and provided them special learning opportunities during the past year.

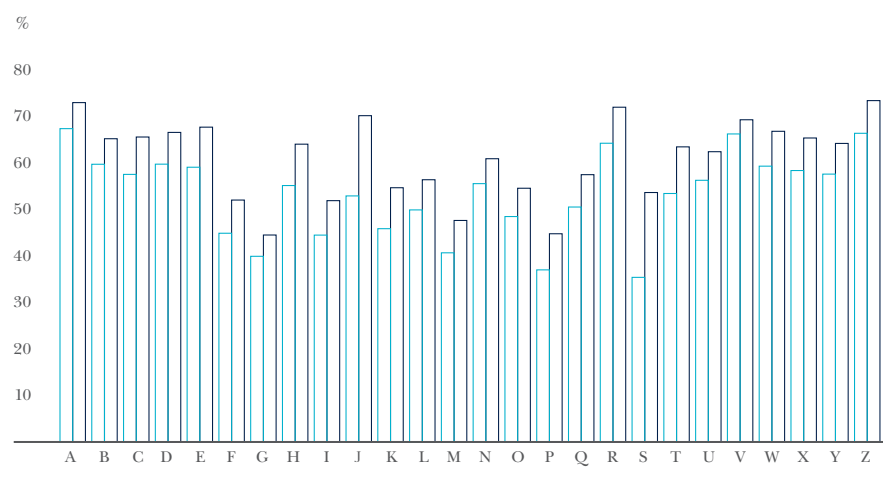
Keeping work safe and healthy

The Company's quality management system (QMS), which has ISO accreditation, deals with all aspects

relating to employee safety. Internal and external audits on the effectiveness of QMS provide assessment on aspects relating to safety and health. The Company obtained the services of the National Institute for Occupational Safety & Health to carry out a risk assessment on employee health and safety aspects.

Growing satisfaction

Every year DIMO conducts an employee satisfaction survey to which employees provide answers in anonymity. Employee satisfaction is assessed in all areas of the Company including remuneration, perquisites and working conditions. The results of the survey are analysed by the Group Management Committee and changes are made where appropriate. The survey had a response rate of 91% (91% - 2012/13). The overall satisfaction index was 61.1%, up from the figure of 53.46% the previous year.



Employees Satisfaction Survey Index

- A-Nature of work/Responsibility
- B-Freedom to perform duties
- C-Availability of challenging Assignments
- D-Job Security
- E-Clarity of Job duties
- F-Salary
- G-Incentives
- H-other perks
- I-Recognition & Appreciation

- J-Support given at employee life events
- K-Appraisal System
- L-Opportunity for Training
- M-Prospects for promotion
- N-Superior's Guidance
- O-Financial Assistance for Education
- P-Cafeteria Facility
- Q-Sanitation
- R-Medical Facilities

- S-Employee Wellbeings
- T-Working Environment
- U-Superior Relations
- V-Support
- W-Customer Satisfaction
- X-Focus on Quality
- Y-Continuous improvement
- Z-Focus on Environment

Rewarding innovation

The Company has in place a number of awards schemes to reward innovation and commitment. The 'Employee of the Year' walks away with a car for his or her outstanding contribution and the 'Ideas Man (or Woman)' who comes up with an innovative idea for the year receives special recognition at the Employees' Council. Last year 62 DIMO employees were recognized by the Company for their contribution to developing innovative practices and solutions.

Staff diversity

DIMO aims to recruit staff from all ethnic and language groups and from all regions of the country. Staff diversity is a value the Company actively seeks to promote. Last year females constituted 10% of the total workforce. Employees with a record of

long service receive special recognition from the Company.

The vehicle workshops and the sales positions that involve travelling have contributed to seeing that the gender ratio is below what the Company would have liked to have maintained. The Company recruited 10 female trainees to its vehicle workshops over the past year in an endeavour to redress the balance in what is traditionally considered a 'male' environment.

79% of the Company's employees are below the age of 40. 43% of them are less than 30.

Sharing value

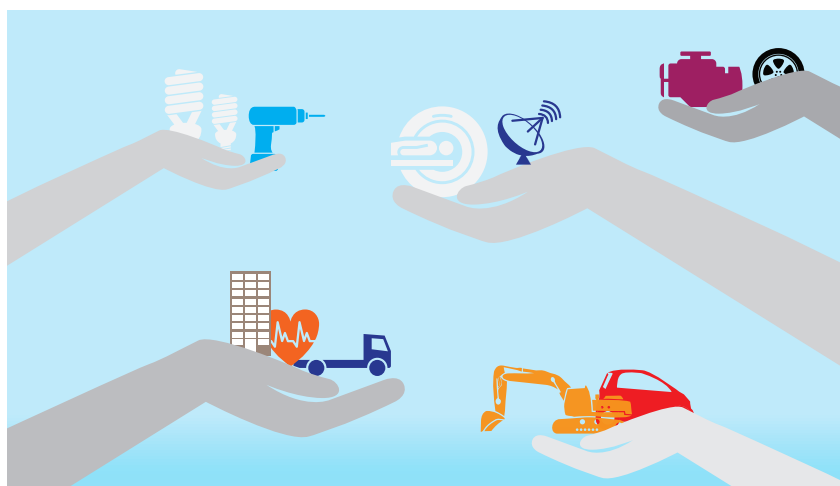
The monetised value distributed to employees during the year was Rs1, 946 Mn (Rs1, 657 Mn in 2012/13) and constituted 32% (29% - 2012/13) of the monetised value created. The average employee cost per head for the year was Rs1.3 Mn (Rs 1.4 Mn - 2012/13).

Growing employee capital

Employee aspirations continue to grow and evolve. The Company will strive to align employee aspirations with Company aspirations and focus on building long term relationships that are mutually rewarding. It will strive to see that employees make a constantly growing contribution to the value creation process. The Company will make sure it creates an environment that stimulates innovation and provides material and other support for employees to learn and pursue professional goals. Employee capital will continue to be nourished at DIMO.

Value Creation Report

Customers are at the heart of all that we do.
 Our success depends upon their satisfaction.



Customers

Aspect	Measure	2013/14	2012/13	2011/12	2010/11	2009/10
Customer Service	No. of CRM Personnel	30	35	42	4	3
Customer Convenience	No. of Customer Interaction Points	60	52	40	25	19
	No. of Business locations in the North and East	7	8	4	0	0
Customer Satisfaction	Average Customer Satisfaction Index (%)	88	85.5	89.2	85.6	86

Customers lie at the heart of what the company does. The Company's business model is built around customers and is designed to meet their diverse needs and enhance their multiple experiences. The Company fosters customer capital by investing in long term relationships that are mutually beneficial, rewarding and transformative. The Company builds value by creating a complete customer experience that straddles the material,

intellectual and emotional aspects of all products and services it provides.

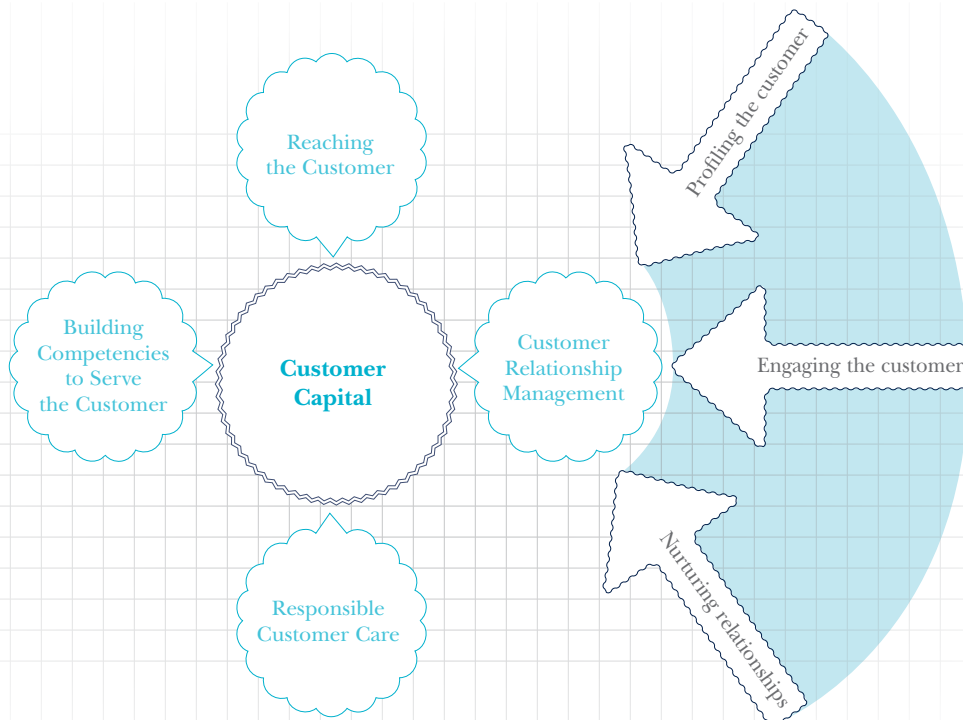
Seeking and reaching out to new and diverse customers, engaging with them to understand their needs, building internal competencies to serve customers better, enhancing standards of responsibility, conforming to statutory and ethical norms, and constantly raising the bar with regard to customer care, shape DIMO's approach to building customer value.

Being present and accessible

Accessibility is an important aspect of fostering customer capital. A closer proximity to the customer increases the opportunity for understanding customer needs, developing well-tailored products and services, and the likelihood that the customer will return asking for more.

During the year under review the company operated 60 'Customer

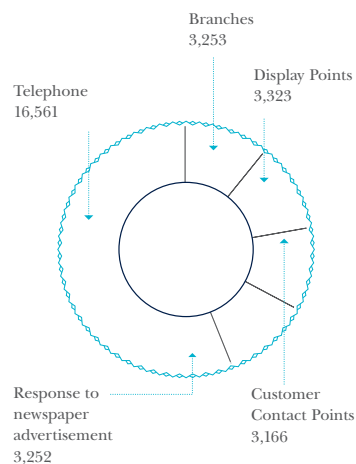
Building Customer Capital



Interaction Points', up from the 52 operated in the previous year. They consisted of Branches, Customer Contact Points and Display Points. Each of these is designed to reach and serve the company's diverse customers in the most effective way. The first such contact point was opened in Piliyandala in December 2011 and since then the Company has made a strategic effort to make itself more accessible and to develop this aspect of its capital.

An important part of the accessibility programme is the 24-hour Call Centre launched in May 2012. Customers can make use of the Call Centre at any time to seek information on products and services and lodge complaints. The Call Centre has been a giant leap forward in reaching out to customers and enables the Company to be available 24 x7. During the year under review 29,555 sales enquiries were

received. It has been supported by a state-of-the-art interactive web site which provides detailed information on the Company, its products and services. Customer engagement programmes have been taken to



Sales Enquiries
2013/14

a new level with the launch of the 'Gamin Gamata' ('Village to Village') programme which endeavours to penetrate new and emerging markets.

Strategic arrangements have been made with some of the finance and leasing companies to enable customers to reap the benefits of special interest and payment schemes and provide additional incentives to invest in the Company's products and services.

Building skills within DIMO

Building customer capital and being responsive to customer needs has required a substantial and constant investment in skills. Existing skills need to be honed and new skills generated if the Company is to respond effectively to customer needs and expand its customer base.

The Company has identified the skills deficiencies within the Company and

Value Creation Report

then sought to fill these gaps in the most productive way. No stone is left unturned in order to acquire and constantly expands the skills sets within the Company. To DIMO this is of the essence in building this segment of capital and enhancing value.

Continuous training and skills development is an intrinsic part of the human resource strategy at DIMO. This includes in-house training, external training and overseas training. During the year under review the sales and service teams, spent a total of 4,096 and 4,989 man hours (3,444 and 8,395 in 2012/13) man hours respectively on training and skills development. This comprised of 642 (588 in 2012/13) sales staff who participated in 111 (119 in 2012/13) training programs. 763 (822 in 2012-13) service staff participated in 108 (138 in 2012-13) training programmes.

Responsible relationships

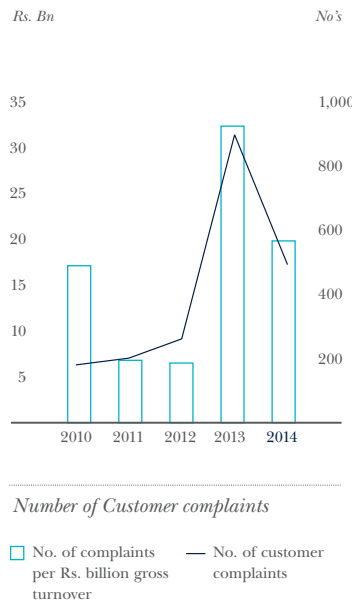
Value is built by focusing on responsible customer relationships and the highest standards of care. As a Company that markets world class products and services, DIMO is conscious that its products should be safe and created through ethical manufacturing processes. The Company's products and engineering solutions conform to the highest levels of safety and are designed to ensure minimum impact on the environment. In its after care too the Company seeks to ensure the highest levels of responsibility and highest standards of ethics in all of its customer relationships.

Sourcing safe products and responsible principals

Priority is given to customer comfort, health, safety and general well-being. In sourcing new products, the Company has always sought the best in the business and those with a long track record of safety. The Company's quality management system has been given the ISO 9001:2008 certification.

Strict compliance

Responsible value creation has meant strict compliance with statutory requirements on the provision of diagrams, expiry dates, code numbers, and environmental impact. Accurate labelling is a must and user manuals are provided, where required.



High ethical standards

Marketing practices conform to the highest standards of ethics and are based on transparency, honesty and full disclosure. Here too, compliance with statutory requirements is strict. Customer privacy is respected and customer information kept confidential.

Customer complaints

A total of 492 customer complaints were recorded during the year under review. This was compared to the 896 complaints received the previous year. Of these, 361 (574 in FY 2012/13) were resolved within three-days as stipulated. The number of customer complaints for every Rs. One Billion of turnover was 19.8, down from last year's 32.3.

No complaints were received with regard to any breaches of customer privacy or misuse of personal data. Similarly, no incidents were reported during the year under review with regard to breaches of health and safety, or product labelling.

Flourishing relationships

Building relationships that are stable, secure, rewarding and transformative is an intrinsic part of the Company's value creation process. Customer relationships are ongoing and constantly evolving, marked with periodic engagements and an exploration of the multiple opportunities that the relationship may present.

Nourishing enduring and satisfying relationships is a systemized process at DIMO that straddles marketing, point of sale, delivery, after-care, maintenance, complaints, customer satisfaction and customer return. Much of this is monitored by the centralized Customer Relationship Management division which responds to complaints, carries out customer satisfaction surveys, oversees some promotional campaigns and evaluates periodic reports.

Customer satisfaction

Customer satisfaction is central to the long term sustainability of the company. Customer expectations and demands are constantly mapped and since 2002 customer satisfaction surveys have been used as an index of measurement and management.

Value Creation Report

Our business partners are key drivers
 of our value creation process.



Business partners

Aspect	Measure	2013/14	2012/13	2011/12	2010/11
Relationship with Principals	No. of principals	77	81	78	72
	No. of relationships above 50 years	7	6	6	6
	No. of relationships between 25 to 50 years	8	10	9	9
	No. of relationships between 01 to 25 years	54	58	55	41
	No. of new relationships commenced during the year	8	7	8	16
Relationship with local suppliers	Payments to local suppliers (Rs. bn)	5.3	4.7	4.5	3.9

DIMO's business partners are a key source of capital in the company's value creation process. The company's principals, suppliers and service providers are a core component of the value creation activity at DIMO. Through this process the company not only builds value for itself but for the business partners as well.

Three important ideas have shaped our relations with our business partners: trust, transparency and longevity. Using these three ideas, we have invested in long term mutually rewarding partnerships.

Committing to common values

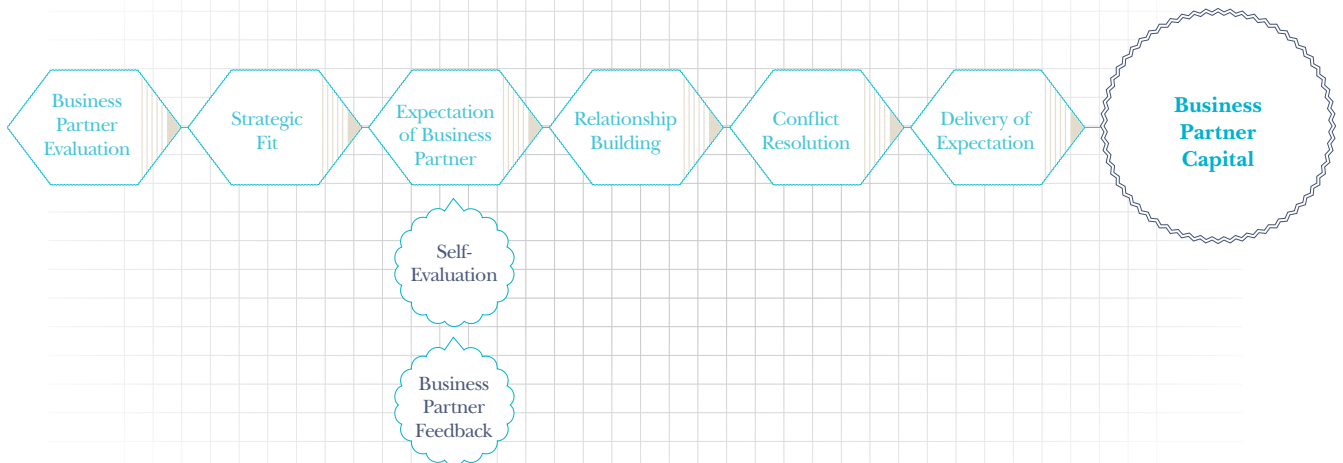
In sourcing partners, the company has tried to identify companies that share DIMO's values. DIMO is committed to responsible and sustainable entrepreneurship and in its dealings with partners has made an effort to develop relations with those entities that share a similar commitment. In forging new partnerships, the company has looked for those entities that are committed to environmental protection, respecting labour standards, promoting human rights, fostering equal opportunity, eliminating corruption and anti-competitive behaviour, and

ensuring occupational safety at the workplace. These values are reflected in the company's Supplier Code and suppliers have responded positively in integrating these values into their own supply chains. Upto last year 96 major local suppliers committed to upholding the Supplier Code.

Principals

The company has sought to grow its portfolio by seeking principals that complement DIMO's strategic direction. The company has been fortunate to have partnered with world class brands over these 75 years.

Building Business Partner Capital



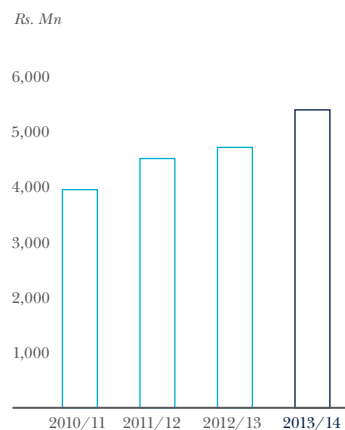
DIMO has absorbed industry best practices and technical knowhow from these principals, through constant interaction, which have included regular visits to their locations or visits from their representatives to the company. Regular feedback is provided to principals and they in turn provide regular feedback to the company. Healthy partnerships have emerged as a result of this policy of open and candid communication and regular contact. This has helped the company to consistently deliver to the highest standards expected from the principals. The company is responsive to the feedback provided by principals and has responded by investing in technical training, infrastructure development and distribution networks to strengthen our market presence.

Local suppliers

In the case of local suppliers and our distribution partners too, the company has focused on investing in long term relationships. Regular communication, sharing of market

information, a commitment to core values and constant feedback have helped in developing mutually beneficial relationships. In some cases the company has invested in the development and empowerment of family members of local suppliers through a variety of interventions.

During the year the company paid Rs: 5.3 bn (2012/13 - Rs. 4.7 bn) to local suppliers.



Payments to local suppliers

Grievance handling

Grievances, if any, that emanate from the company, local suppliers or principals, are resolved speedily. Regular feedback and communication with partners has reduced the space for conflict. The company has aimed at constructive and critical engagement with all partners. It is an engagement that is forward looking and solution oriented and aimed at strengthening already existing relationships.

Assessing partner needs

Integrated into the company's process of value creation is the regular use of independent third-party stakeholder surveys, which include interviews with suppliers, market research for business development and assessing customer satisfaction. The surveys involving business partners are aimed at generating candid feedback on relationships with business partners and on how these relationships could be developed and strengthened. The company has a policy of sharing the results of such surveys with suppliers.

Value Creation Report

How do we contribute to nation development and empower the diverse people with whom we live and work?



Society

Aspect	Measure	2013/14	2012/13	2011/12	2010/11
Investing in the community	Community investments as a percentage of turnover (%)	0.21	0.19	0.14	0.10
Vocational development of youth	No. of vocational training students as a percentage of full-time employees (%)	16.78	10.50	14.24	14.52
Contribution to the state	Taxes paid to the government (Rs. Mn)	3,245	2,972	6,062	5,571

Society and local communities are important contributors to the company's supply chain and to how and how much the company creates value. The value the company builds in turn makes an important contribution to the development of the country and society. Social acceptance and continuous management of our relationships with the community within which we operate are critical for the longevity of our business. Being in touch with the pulse of the people who

are affected most by the company's activities ensures that DIMO builds sustainable value.

Strict compliance

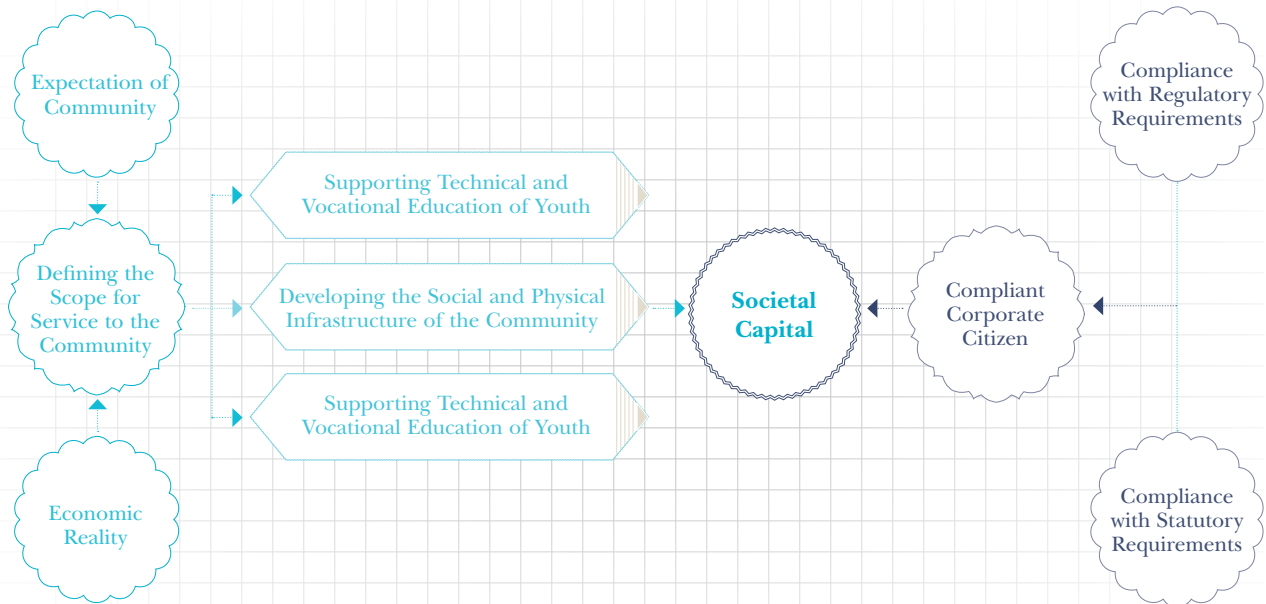
Institutional stability is vital for sustainability and this is why DIMO goes to great lengths to partner and maintain positive relationships with relevant local authorities. The company is aware of the adverse effects that deviations from the regulatory

framework could have on the company's reputation.

The company ensures that its compliance with the regulatory regime is strict and this includes compliance with environmental, product safety and labelling regulations.

During this year under review, the company paid Rs. 3,245 (Rs. 2.96bn in 2012/13) in taxes to the state. Taxes are paid promptly and in strict

Our Society...Live and Let Live



compliance with the legal regime that is in force; the norm being that no such monetary obligations are left pending.

Regular training programmes for staff ensure that employees are kept abreast of changes in tax structures, tariff regimes and other regulatory changes including local government and environmental regulations, new labour regulations, and consumer product safety regulations.

In keeping with the company’s goal of delivering the best in products, solutions and service to customers, DIMO has developed relations with a number of trade, industry and professional associations. This has helped the company align itself with industry best practices and play a role in the formulation of policy.

Ethical business practices

DIMO builds value by ensuring that all of its business practices are ethical, transparent and honest in all circumstances. The company’s processes within its supply chain are designed to ensure ethical outcomes at all times.

The company has in place a comprehensive ‘Code of Business Conduct and Ethics’ which is periodically revised and refined as business practices evolve. It covers anti-corruption, anti-competitive behaviour, non-discrimination, fair dealing with peers, equal opportunity, and dealings with public institutions, amongst other things. The Code can easily be accessed on the company’s intranet.

The company does not make contributions to political parties or seek to influence political action. On

the other hand the company works with regulatory and non-regulatory bodies and professional associations to design relevant policy frameworks and shape relevant laws.

Last year there were no breaches of the company’s Code of Business Ethics.

Community engagement

Community acceptance for the value that DIMO builds is important for sustainable and responsible entrepreneurship. Smart management of relationships with the community helps build value for the company.

The company engages the community in multiple ways, including by way of independent stakeholders surveys. These engagements help the company to identify the pulse of the community, understand community perceptions and feelings, and respond

Value Creation Report

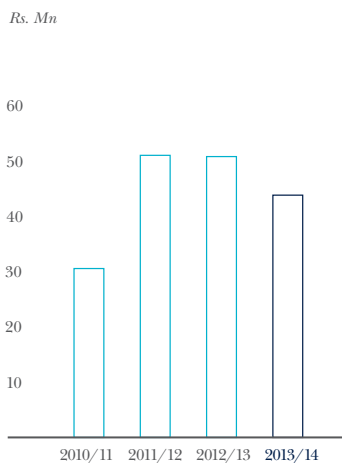
to community needs. The results of these engagements including the stakeholder surveys, are analysed by the Sustainability Committee which formulates targeted interventions. These engagements are used to develop products and other responses that are responsive to the nuances of community needs and aspirations.

Community interventions

Last year the company made interventions in three strategic areas:

1. Technical and vocational education for youth
2. Developing community infrastructure
3. Enhancing livelihood opportunities

Total expenditure on these initiatives was Rs. 43.8 mn (Rs. 50.8 mn in 2012/13).



Community development expenditure

Technical and vocational education for youth

DIMO Automobile Training School (DATS)

The DIMO Automobile Training School opened its doors to the nation's youth in 1990. In 2010, DIMO's commitment to vocational education led to the opening of another training school in Jaffna. The state-of-the-art training schools at Siyambalape and Jaffna are two key channels through which the company provides free vocational and technical education to youth.

DATS provides young people the opportunity to work with world class brands and state-of-the-art technology. So far, 368 students have passed out from DATS as diploma holders. The schools develop a pool of technical expertise within the country and also provide a recruitment source for DIMO. There is no obligation for these trainees to work for DIMO and they are free to chart their career path. DATS has tried to break gender stereotypes by making a special endeavour to train and recruit female mechanics for the automobile sector. At present, there is a batch of 10 female students enrolled at DATS. DIMO invested Rs: 22.9 mn on the two schools during the reporting period.

Other initiatives the company undertook last year include the provision of technical training programmes on the use of agricultural machinery, career guidance workshops in collaboration with the universities of Sri Jayawardenepura and Moratuwa, provision of school materials, food items to disabled and disadvantaged groups and the provision of Mobile

career counselling to rural youth through our partnership with Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ) GMBH.

Moreover, students from the following institutions received vocational training at DIMO:

- * NAITA (National Apprentice & Industrial Training Authority)
- * Ceylon German Technical Training Institute
- * University of Moratuwa
- * University of Peradeniya
- * University of Sri Jayawardenapura
- * University of Kelaniya
- * Vocational Training Authority of Sri Lanka
- * Automobile Engineering Training Institute
- * Ministry of Vocational & Technical Training
- * The Open University of Sri Lanka
- * CETRAC (Construction Equipment Training Centre)
- * Asian Aviation Centre (Pvt) Ltd

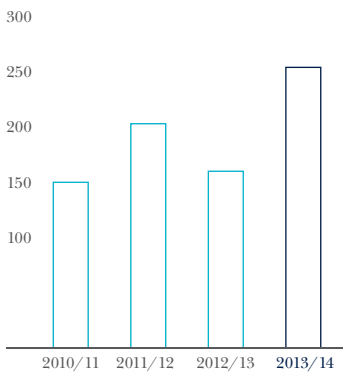
During the reporting period, 209 apprentices were given the opportunity to obtain their vocational training at the company's facilities (154 in 2012/13). As of now, there is a total of 258 apprentices receiving technical training.

Developing community infrastructure

Investments in community infrastructure plays an important role in relationship building. Last year trainees from the DIMO

Automobile Training School helped in the renovation and development of the Kalotuwawa Primary School in Dedunupitiya. The water supply system at the iconic Athugala Samadhi Temple in the Kurunegala District was strengthened to help the thousands who flock there every year. The company also opened the state-of-the-art DIMO Technical Institute in Sooriyawewa, which is equipped with state-of-the art driver and technical training facilities.

No's of youth



Number of youth afforded training

Enhancing livelihood opportunities

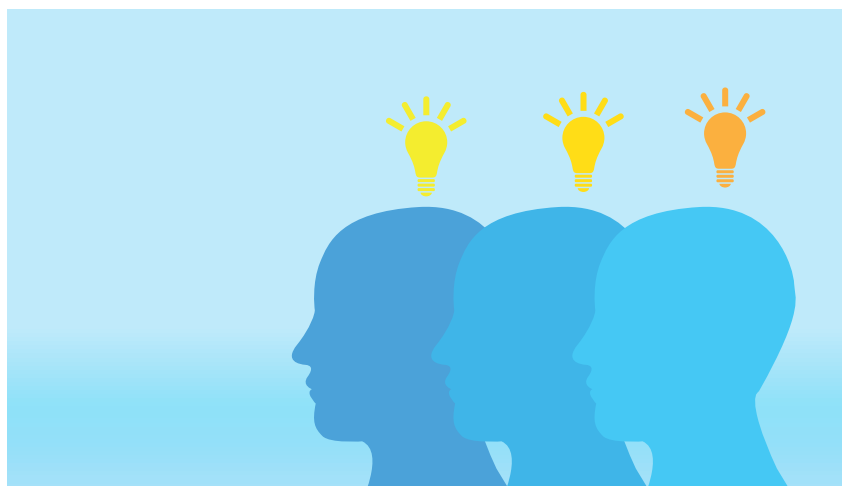
DIMO continues to build value by investing in local communities and in livelihoods in different parts of the country. A special focus is given to disabled, disadvantaged communities. The company has developed a special programme of assistance for disabled persons, including disabled soldiers

and children, for their empowerment and their equal access to opportunities.

Some of the community empowerment projects carried out during this reporting period include awareness programmes on disease prevention, child nutrition programmes, blood donation camps, development of religious sites, opportunities for rural entrepreneurs to own low cost commercial vehicles, soil testing and agricultural awareness programmes for farmers and partnering with local universities to carry out research to modify logistics related regulations

Value Creation Report

Our quest for perfection is driven by our intellectual capital –
the source of all intelligent innovation and creative ideas.



Intellectual Capital

A model of inspiration and innovation

Our store of intellectual capital is built through multiple synergies derived from the value creation process. These synergies are manifested in three intangibles; organisational knowledge based intangibles or expertise, process capital - the systems and processes that are unique to DIMO and brand equity, that is, the name, logo and perceptions that identify our company in the public eye.

These three capitals help drive the company's value creation activities. Value creation and intellectual capital are thus inter-dependent while innovation is a key factor that is embedded in the value creation process.

Developing organisational knowledge

The company's organisational knowledge-based intangibles are embedded in the corporate culture, structures, processes of governance, data and information and the nuances of intuition among employees.

The DIMO corporate culture enables learning, provides opportunities to explore and innovate. The company also encourages an open culture of knowledge-sharing and building on knowledge already acquired, across different tiers.

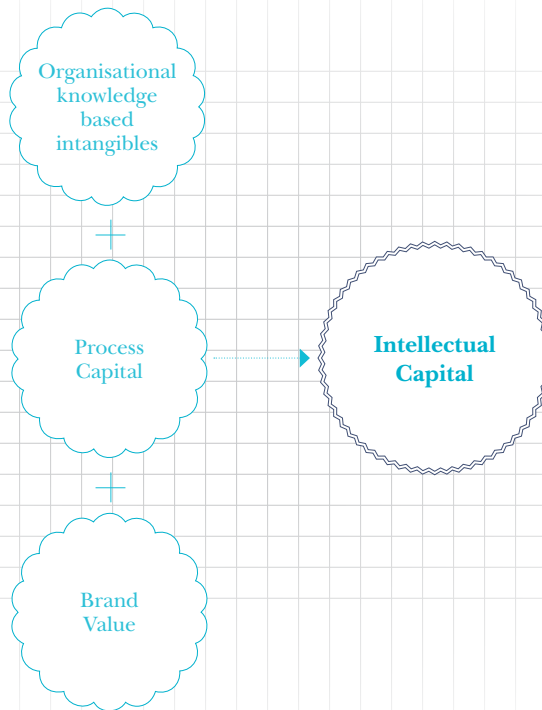
Time tested processes

Over the years we have developed robust organisation-wide processes, core value creation activities and support services that have evolved processes that are unique to the company.

Growing brand value

The DIMO brand is now a ripe old '75'. It has all the characteristics and advantages of a vintage brand, rich, robust, owning years of acquired skills and long relationships with diverse stakeholders. At the same time it carries the advantages of a young brand - adapting easily to change and embracing new ideas and challenges with gusto.

Intellectual capital



The DIMO brand is another form of capital that contributes to building value within the company. The brand is an integral element of the company's innovative supply chain process that in turn, replenishes and rejuvenates the brand.

One of DIMO's brand strengths is the trust and goodwill the company has generated over the years. Our portfolio of quality products and our expert, responsive after-care services have ensured that our customers return to us over and over again.

Value Creation Report

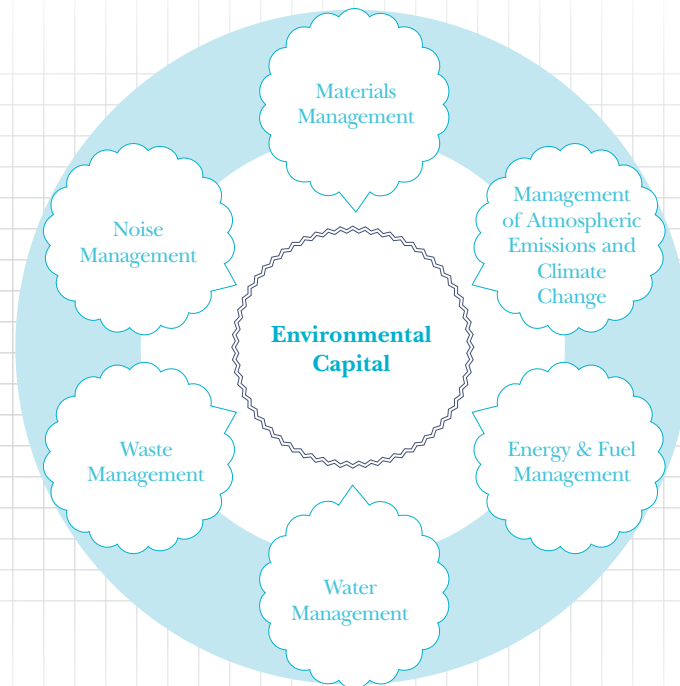
Minimising the impact that we have on our physical environment and inspiring our employees and society to internalize the values of conservation remain our priorities.



Environment

Aspect	Measure	2013-14	2012/13	2011/12	2010/11	2009/10
Combating Climate Change	Carbon footprint tCO ₂ e per Rs. 1 mn of Group net turnover	0.2773	0.2218	0.1674	0.1064	0.2472
Energy Consumption	Total energy consumption (1,000 GJ)	52,333	60,547	78,184	32,264	26,210
	Energy consumption (Giga joules) per employee (on average)	34	42	58	31	30
Water Consumed	Total water consumption (m ³)	90,487	101,984	75,640	46,408	37,572
Water Recycled	Ground water recycled and reused as a percentage of total water consumption (%)	24 %	21.00	15.00	24.00	34.00
Waste Management	Hazardous waste (solid) sent for recycling/reusing - Kg	125,153	132,364	65,989	37,002	N/A
	Hazardous waste (liquid) sent for recycling/reusing - Litres	107,646	105,506	94,267	80,295	N/A

Building Environmental Capital



DIMO's environmental strategy is driven by two principles. The company's first principle seeks to minimize the impact that the company's operations have on the physical environment. The second seeks to inspire employees and society to internalize the value of conservation and to commit to minimizing the impacts on the environment. DIMO's environmental strategy is grounded in the idea that the company should re-use, re-cycle and replenish wherever possible, and preserve today's physical environment for generations yet unborn.

A comprehensive environmental management system

All forms of entrepreneurship impact on the environment. For entrepreneurs the challenge is to minimize adverse impacts and maximize positive impacts. DIMO has in place a comprehensive environmental management system,

ISO 14001 (2004) certified, that nudges the company towards environmentally friendly goals. The Environment Management System (EMS) is managed by the company's Group Management Committee and Sustainability Committee, which oversee all aspects of the system.

Over the years the EMS has identified six areas where the company should minimize adverse impacts and maximize positive impacts.

Greenhouse emissions

Emissions are the invisible destroyer. Their impact is subtle and long term and has previously been easier to hide. The main greenhouse gas (GHG) emitted into the atmosphere by the activities of the company is carbon dioxide. DIMO has taken steps to measure and manage emission levels, being conscious of the fact that this

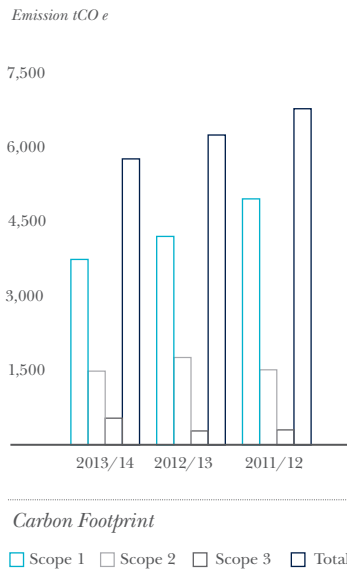
could possibly have an impact on the community.

Stakeholder engagement with local communities has also identified their expectation of us to be environmentally friendly. It may also have an impact on the company's social licence to operate. Climate change continues to pose a major challenge to the global community and the company is conscious of the harm that carbon based fuels cause.

This is the sixth consecutive year in which the company has calculated and reported on its carbon footprint.

The measurement methodology follows the standards laid down in the WBCSD/WRI Greenhouse Gas Protocol's Corporate Standard (Revised Edition).

Value Creation Report



The direct GHG emissions from diesel used for company vehicles, delivery of brand new vehicles and other uses amounted to 2,511 tCO₂e (2,914 tCO₂e in 2012/13). This is 43% (47% in last year) of the company's total carbon footprint.

DIMO's GHG emission during the year under review was 0.2773 tCO₂e per Rs.1 Mn of net turnover. This is in comparison to the last year's figure of 0.2218 tCO₂e. This increase is partially due to the reduction in turnover that did not result in a proportionate reduction in GHG emissions. There was a 7.7% reduction in the company's carbon footprint. This is attributed to a reduction in diesel used for delivery vehicles and reduced electricity usage.

The company will continue to monitor its carbon footprint and ensure that there is a progressive reduction in years to come.

THERE WAS A 7.7% REDUCTION IN THE COMPANY'S CARBON FOOTPRINT. THIS IS ATTRIBUTED TO A REDUCTION IN DIESEL USED FOR DELIVERY VEHICLES AND REDUCED ELECTRICITY USAGE.

Atmospheric emissions

Atmospheric emissions are tested every three months. So far the company has ensured that its emissions levels are well below the level set by the Central Environmental Authority (CEA).

A comprehensive system of 'gas', and 'dust' extractors and filtration systems across all the company's workshop sites ensure that emissions are kept within acceptable limits. Carbon dioxide and diesel fumes from our Mercedes Benz workshop are captured, stored and released in controlled volumes into the atmosphere. Exhaust and gas extractors capture emissions from engine testing and the cleaning of air filters and brake assemblies. Filtration systems in the company's paint booths capture toxic fumes and particles, by-products of the 'painting' process.

Materials management

The company uses a substantial quantity of materials for vehicle repairs, for after care of vehicles, and in providing various engineering solutions. This includes paints, kerosene, lubricants, re-threaded tyres, floor carpets, lacquer, thinner, putty and filler.

The company has in place processes to ensure that all materials used as part of the company's activities are stored, used and then disposed of in line with the company's comprehensive Environmental Management System. The company's Materials Management System ensures that materials are recycled wherever possible. Those materials that cannot be re-cycled are disposed in a responsible way.

Managing energy usage

The company's main sources of energy are electricity, diesel, petrol, and liquefied petroleum gas. The expenditure on energy is significant because of the nature of its business activities. Electricity is obtained mainly from the national grid. This is supplemented by the use of environmentally friendly 'in-house' generators.

Stringent processes measure and carefully manage energy consumption within the company. The cost of energy is a significant part of product and service costs, and has an important impact on the company's bottom line.

Overall energy usage reduced by 13% over the past year. Diesel fuel usage for delivery of vehicles reduced by 20% and this had a significant impact on overall energy consumption. Stringent processes to monitor diesel usage were implemented during the year. Petrol consumption increased by 7% because of an increase in sales promotion activities. Electricity consumption decreased by 14%.

External and 'in-house' energy audits have identified a number of areas where the company can reduce energy usage. The use of capacitor banks for power factor correction, the replacement of incandescent lighting with CFL and LED lighting, programming all computers to revert to standby mode within a five-minute idling period, and the setting of air conditioning units at a constant minimum of 24 degrees Celsius or more, are some of the measures that were identified and measures the company implemented across all of its locations. The company is certified to conduct energy diagnoses and audits and is accredited by the Sri Lanka Sustainable Energy Authority.

Optimised water usage

Water is a primary and indispensable input for the vehicle service and repair business. In addition, water is used for other purposes at all location sites. The company continues to rely on the national supply for its water.

The company's processes ensure the measurement, management and recycling of water used within the Group. Water optimization affects the company's bottom line, and helps conserve a natural resource that is critical to society. Waste water is treated to comply with regulatory requirements before being released into the environment to ensure that there are no harmful effects to the community.

Total water consumption & reused water

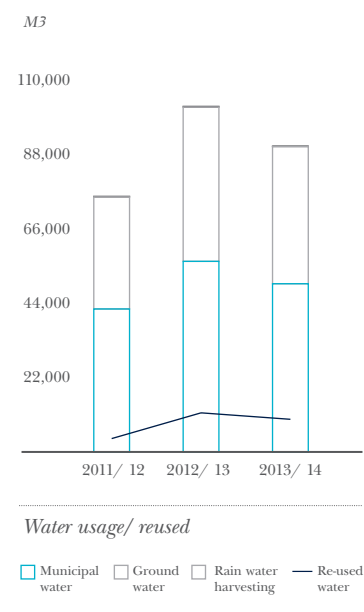
Water consumption decreased by 10.1 % over the past year. This was mainly due to a 15% decrease in water consumption at the company's headquarters. 24% of the ground water consumed (21 % in FY 2012/13) has been recycled and reused. This amounts to 11% (11% in FY 2012/13) of the total water consumption.

**OVERALL ENERGY
USAGE REDUCED BY 13%
OVER THE PAST YEAR.
DIESEL FUEL USAGE FOR
CUSTOMER DELIVERIES
REDUCED BY 20%**

The amount of water re-cycled increased because of an increase in capacity at the water treatment plant at Siyambalape. The total volume of water reused at Siyambalape and Weliveriya was 9,692 m³. Of this, 4,917m³ has been used for vehicle washing purposes whilst the balance was used for gardening purposes in both premises.

DIMO's waste management processes prevent the discharge of untreated water into the sewage system. Waste water from all workshops pass through oil separators and are monitored to ascertain their pH levels, to ensure

compliance with regulatory limits. All of the company's workshop locations contain a state-of-the-art biological water treatment and recycling plant. Wherever possible water is recycled and re-used.



The company is subject to random independent checks by a CEA approved entity. Re-cycled water is checked randomly to ensure pH Value, Chemical Oxygen Demand (COD), Biochemical Oxygen Demand, Total Suspended Solids and Oil/Grease content levels are below the tolerance levels set by the CEA. The levels have always been found to be within the parameters of the CEA.

Value Creation Report

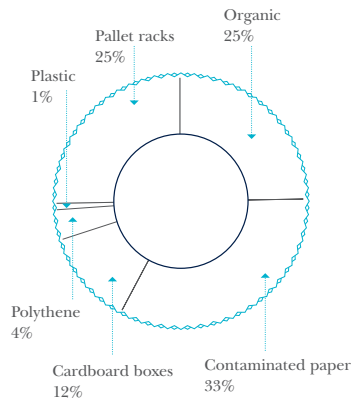
Waste management

The measurement and management of effluents and waste is necessary as it helps the company evaluate the level of efficiency with which the service centres operate. It also helps the company ascertain how environmentally friendly it is. Being able to recycle and reuse helps keep costs down while mitigating the adverse impacts on the environment. Efficient waste management plays a pivotal role in adhering to environmental regulations and ensuring that the local communities where the company operates do not face any health hazards as a result of the company's business activities.

Non-hazardous solid waste management

The company's systematised approach to effluent and waste segregation for non-hazardous solid waste, which forms part of the EMS, involves separating materials at source. Materials such as organic material, paper, plastic and polythene are classified so that management becomes easier and more efficient.

Colour coded bins are provided at all the company's locations and waste is separated at source. Disposed food is given to a third party for use as animal feed. Last year 136,192 kilogrammes (134,536kg in 2012-13) of non-hazardous waste were handed over to CEA approved third parties for recycling or to be reused.



Non-hazardous solid waste disposal
 Kg 2013/14

HAZARDOUS WASTE ITEMS WERE HANDED OVER TO CEA APPROVED THIRD PARTIES FOR RECYCLING

Hazardous waste management

Hazardous waste is regularly handed over to designated third parties for recycling. This includes waste oil, thinner, sludge, metal scraps, metal dust, paint cans, filters, batteries, tyres and saw dust. No chemical spillages have taken place at DIMO. Employees have been trained to respond promptly to chemical spillages, should they occur. Regular training is provided to employees on safety measures and the proper handling of materials.

During the year under review 125,153 kilograms (132,364 kg in 2012-13) and 107,646 litres, (105,506 litres in 2012-13) of hazardous waste items were handed over to CEA approved third parties for recycling/ to be re-used.

Noise management

Noise emissions from all of the company's facilities are strictly controlled to ensure that they do not cause discomfort to those in the vicinity. Noise levels are measured constantly by the Central Environmental Authority (CEA) to ensure that it remains within acceptable limits.

Environmentally friendly buildings

In order to pursue the company's sustainability objectives to the maximum and to further integrate the sustainability ethos into all aspects of DIMO's operations, the company began to explore the use of 'Green Buildings' at different locations within the Group.

The implementation of the green building concept began with the construction of the Bosch Service Centre at the Head Office premises in 2011. This facility, constructed as a 'Green Building' began commercial operations in January 2012. The LEED Gold Certificate was obtained for this building.

The recently completed Dimo 800 – Mercedes Benz Centre at Sirimavo Bandaranaike Mawatha, Colombo 14, was also constructed in line with the Green Building concept. The company expects to save approximately 25 % energy from the energy saving initiatives taken.

Protecting biodiversity:

Turtle conservation at Panama

The objective of the turtle conservation project, carried out in partnership with the Environmental Foundation Limited (EFL), is to conserve marine turtles by restoring and rehabilitating their nesting habitats along the Panama coastal line in the Eastern Province.

A new agreement to continue the partnership for this project was signed on the 2nd of December 2013. The marine turtle monitoring and conservation program in the Komari-Panama area will be developed into a community-based turtle monitoring, conservation and education programme. Under the renewed agreement, as of now, 3570 hatchlings were released to the ocean and 88% of the eggs have successfully hatched.

*Unusually diverse,
predictably excellent*

Find out how our products and services play their
role in the generation of sustainable value.

*“Whatever we do, we do it well. And whatever
we do, we strive to bring added
value into every transaction we process.”*

Vehicles - Sales

Vehicles - After Care Services

Marketing & Distribution

*Construction & Material Handling
Equipment & Services*

*Electro Mechanical, Bio Medical
& Marine Engineering*

Value creation activities

This section provides an overview of the “value creation activities” undertaken by each business segment together with their performance.

<i>Registration of Vehicles in Sri Lanka</i>						
<i>Year</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Class of vehicles						
Motor cars	20,237	5,762	23,072	57,886	31,546	28,380
Three-wheelers	44,804	37,364	85,648	138,426	98,815	83,673
Motor cycles	155,952	135,421	204,811	253,331	192,284	169,280
Buses	1,180	739	2,491	4,248	3,095	1,805
Dual purpose vehicles	2,856	1,280	11,712	33,518	37,397	24,603
Goods transport vehicles	14,038	8,225	11,845	14,818	12,266	5,872
Land vehicle	26,132	15,284	19,664	23,194	21,892	13,038
TOTAL	265,199	204,075	359,243	525,421	397,295	326,651

Source: Department of Motor Traffic

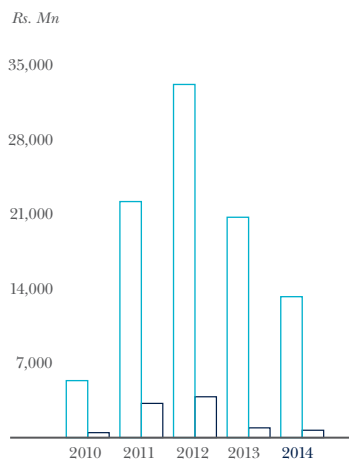
Adding value through an innovative supply chain

DIMO uses monetised and non-monetised capitals to generate significant outputs and outcomes for company, stakeholders and environment. In 2013 DIMO continued to deploy its supply chain process to generate value in a number of key areas. The company’s core activities - sourcing, warehousing, marketing, solution mapping, engineering, delivery and after sales care – were

the primary contributors to value generation. These core areas were supported by interventions in the financial and commercial services, in IT, marketing and human resource management. The company’s capital deployed in these core areas and support services, helped in the process of value creation and in growing both monetised and non-monetised capital.

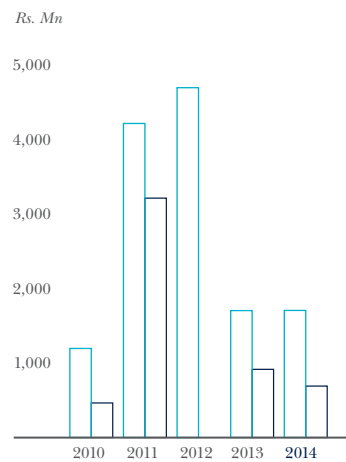
VEHICLES - Sales

A key part of our portfolio is the vehicle segment. From high-end luxury brands to hardworking commercial vehicles, we deliver a range of passenger, four-wheel drive, commercial and special purpose vehicles that serve Sri Lankans from every part of the island.



Vehicle Sales

Turnover Results



Group Results vs Vehicle Sales Results

Group Results Results

Adding value with 'high-end' and utility vehicles

The sale and the after care of passenger, commercial vehicles and off-road vehicles is one of the company's core activities. The company markets a range of vehicles which include Mercedes Benz, Tata, Chrysler - Jeep, Mahindra tractors and Claas machines. The company's overall performance is influenced significantly by how this segment performs.

There was a decrease in the total number of vehicle registrations in 2013 by 18% (a 24% decrease in 2012). Car registrations decreased by 10%, buses by 42%, three-wheelers by 15%, land vehicles by 40% and 'goods transport vehicles' by as much as 52%.

Import tariff and interest rates have a critical bearing on the growth of the automobile market in Sri Lanka. An enhanced duty structure on vehicles has curtailed demand over the past two years. On the other hand the commercial vehicle business is highly dependent on the prevailing interest-rate regime. Most of these vehicles are purchased through lease agreements or from commercial borrowings.

Borrowing and lending rates dropped in 2013/14 although the expected increase in demand did not occur.

The 'DIMO Batta', which the company started marketing in 2006 has transformed the lives of thousands of Sri Lankan entrepreneurs. It has provided a variety of entrepreneurs with a low cost and functional vehicle that serves multiples purposes. During the year the company sold 10,375 units out of which 6,772 were DIMO Battas.

43 showrooms in all parts of the country showcase the company's vehicles. Innovations such as a 'twenty-four hour roadside assistance service', Adhisathkara and Gamin Gamata have ensured that customers are provided with the highest levels of after sales care.

Outlook

The company anticipates that the heavy investments earmarked for infrastructure and roads over the next few years and a lower interest rate regime will stimulate a healthy growth in this sector. DIMO stands ready to capitalize on this opportunity.

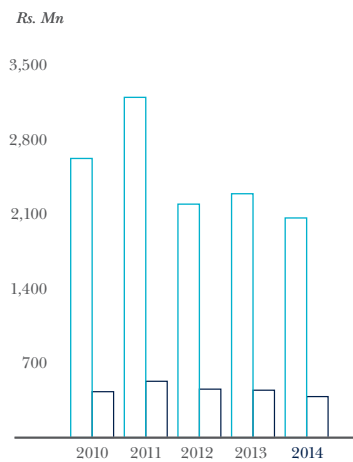
Vehicle sales -segment	2013/14	2012/13
Segment Turnover (Rs. mn)	13,262	20,736
% Contribution to the Group Turnover	64%	75%
Segment Result (Rs. mn)	692	916
% Contribution to the Group Segment Result	41%	54%
Segment Capital employed(Rs.mn)	4,028	3,740
Weighted average customer satisfaction index	90%	91%
No of vehicles sold by Dimo	10,375	14,199

Principals represented



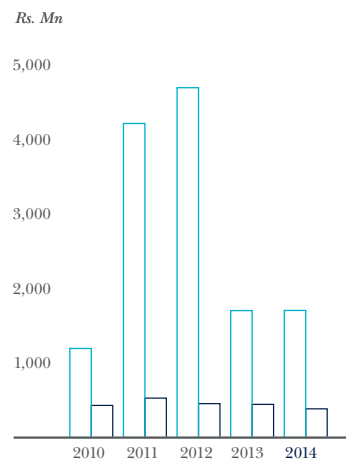
VEHICLES - After Care Services

World-class accessories and components are simply part of our renowned after care service package. DIMO also serves our customers through our state-of-the-art Mercedes Benz Centre and the LEED Gold certified BOSCH Diesel Centre and Car Service Centre, offering industry expertise, state of the art diagnostic equipment and access to best-in-class automobile engineering services.



Vehicles After Services

Turnover Results



Group Results vs Vehicles After Services Results

Group Results Results

Adding value with quality 'After Sales' care

The state-of-the-art Mercedes Benz service centre that opened in 2014 will transform 'after sales care' offered by the company. It will complement the services offered by the Bosch Centre, which DIMO opened two years ago. During 2014 the company will relocate the Tata passenger vehicle service centre to its headquarters. This will be accompanied by a re-organisation of the Tata service dealer network and a strengthening of service capacity.

Apart from providing 'after sales care' for Mercedes Benz, Chrysler - Jeep, Tata vehicles and Mahindra tractors, DIMO also holds the franchise for spare parts for these vehicles and has a country-wide distribution network. Spare parts for these brands of vehicles and tractors are made available through 21 distribution centres in different parts of the country.

Vehicle after care today requires the intensive use of state-of-the-art technology. DIMO has invested heavily in training technically sound and technologically advanced engineers over the years. It has placed strong emphasis on maximizing the benefits of modern technology for vehicle after care and on carving a niche as a technological leader. An elaborate training structure and an 'in-house' training centre ensure the constant availability of well-equipped engineers with the capacity to understand diagnostic issues and advise on effective solutions. The use of electronic and on-line catalogues has

added value to our supply chain in this segment.

Outlook

The new state-of-the-art workshop at the Mercedes Centre will significantly improve workshop capacity, providing a boost to the revenue streams from this segment. Relocation of the Tata passenger car workshop too will help to improve its capacity and revenue. Overall this segment is expected to record a much improved performance.

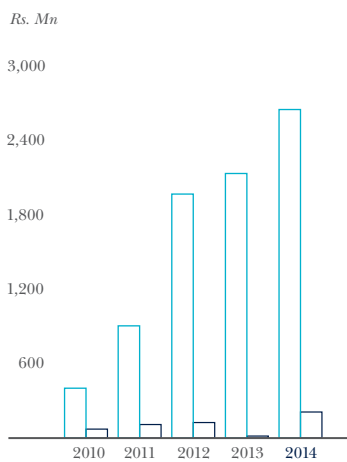
Vehicle after sales-segment	2013/14	2012/13
Segment Turnover (Rs. mn)	2,067	2,294
% Contribution to the Group Turnover	10%	8%
Segment Result (Rs. mn)	386	445
% Contribution to the Group Segment Result	23%	26%
Segment Capital employed(Rs.mn)	1,429	1,251
Weighted average customer satisfaction index	85%	77%
Workshop throughput - No. of vehicles	7,451	7,504

Principals represented



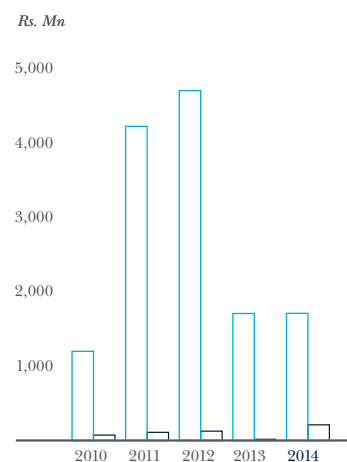
MARKETING & DISTRIBUTION

The Marketing & Distribution sector is a broad one, delivering total solutions in tyres, auto components, power tools and lighting products from a range of global brands. Top quality product technology combined with highly trained personnel make us outstanding in these industry segments.



Marketing and Distribution

■ Turnover ■ Results



Group Results vs Marketing & Distribution

■ Group Results ■ Results

Adding Value through Marketing and Distribution Operations

The Marketing and Distribution segment of DIMO's operations markets a range of quality products that include tyres, modern lighting products, power tools, original equipment for vehicles (OE) and Bosch auto components. These products are distributed mainly through a country-wide network of distributors and dealers. Key aspects driving performance in this segment are a reliable marketing strategy, strong execution of this strategy, and the effective management of the inventory and receivables. Sourcing quality products, warehousing them and prompt delivery play an important part in the supply chain of this segment. The company uses the logistics centre at Weliveriya as its main warehouse to supply agents throughout the country.

Marketing & distribution segment considerably improved its contribution to the segment result with the Original equipment (OE) business being a major contributor. Power tools business too performed exceptionally well to record the highest ever profit to come from its operations. Power tools accessories sales remained the market leader in the branded products segment. Tyre retailing is being considered as a strategy for market penetration and the company recently opened a retail outlet in Wattala taking the first step in this direction.

Outlook

The construction sector boom has given an impetus to the lighting and power tools businesses. Plans are afoot to add two more product ranges, which will boost the segment turnover. The growth momentum experienced in the tyre business in the second half of the year is expected to continue during the ensuing year. In order to improve competitiveness, strengthening of the distribution network will receive special focus. The budgets indicate that Bosch and Original Equipment (OE) business will enhance the contribution to segment result. Overall, a much improved performance is expected from this segment.

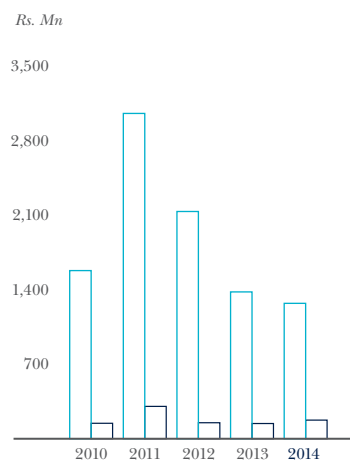
Marketing and Distribution -segment	2013/14	2012/13
Segment Turnover (Rs. mn)	2,650	2,134
% Contribution to the Group Turnover	13%	8%
Segment Result (Rs. mn)	209	15
% Contribution to the Group Segment Result	12%	1%
Segment Capital employed(Rs.mn)	1,505	1,132
Weighted average customer satisfaction index	86%	87%
Segment Receivables – (Rs. Mn)	817	452
Segment Inventory – (Rs. mn)	511	566

Principals represented



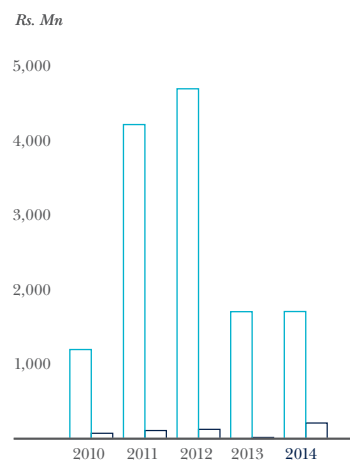
CONSTRUCTION & MATERIAL HANDLING EQUIPMENT & SERVICES

Sri Lankans all over the island now have access to state-of-the-art technology in construction and mining equipment. DIMO also offers a range of after-market support services, company certified implements and original components.



Construction, Material Handling
 Equipment & After Services

■ Turnover □ Results



Group Results vs Construction, Material
 Handling Equipment & After Services
 Results

■ Group Results □ Results

Adding value through the construction and infrastructure industry

DIMO provides a range of solutions for infrastructure development and the construction industry. Bulldozers, rollers and compressors and more specialized machinery such as pavers and cranes provide a 'one stop shop' for those engaged in road construction. Warehousing solutions such as racking systems, material handling equipment, storage management systems and automated car parking systems are designed for another group of entrepreneurs. The company provides full maintenance contracts with the equipment it markets, providing added value to customers. The warehousing solutions are unique and include the full spectrum of services from design to supply and commissioning of a fully functional state-of-the-art warehouse.

This segment of the company's operations was buoyed by the momentum of the country's construction sector. "BOMAG" asphalt pavers, "KAESER" compressors, LEEBOY backhoe loaders, "GEHL" skid steer loaders and "PALFINGER" truck mounted cranes were introduced to the product portfolio of this segment during the year.

Outlook

Strong public sector investments in highways, railroads, and port development will present this segment with more business opportunities. This momentum is likely to be maintained and the company will continue to support the development of a robust infrastructure, housing and the tourism industry for Sri Lanka at the same time creating value for DIMO.

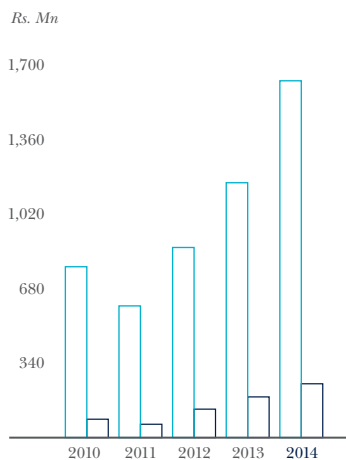
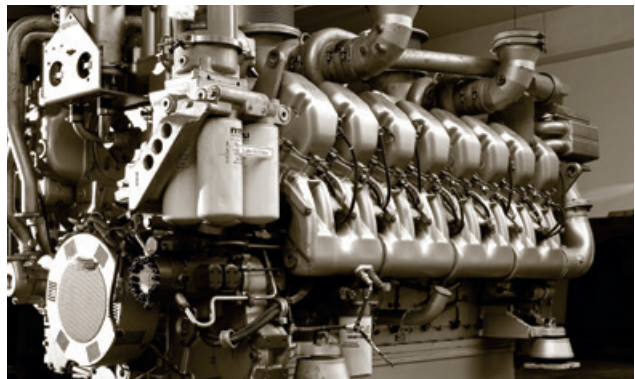
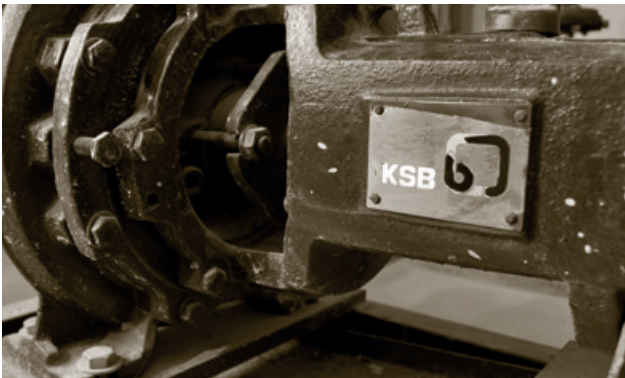
Construction Material Handling Equipment and Services	2013/14	2012/13
Segment Turnover (Rs. mn)	1,273	1,381
% Contribution to the Group Turnover	6%	5%
Segment Result (Rs. mn)	174	142
% Contribution to the Group Segment Result	10%	8%
Segment Capital employed (Rs.mn)	579	492
Weighted average customer satisfaction index	90%	86%
Contribution of full maintenance contracts to the segment result	32.75%	42.25%

Principals represented



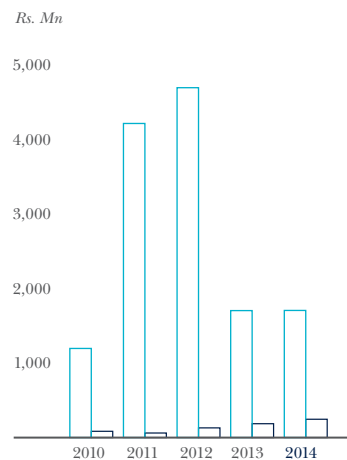
ELECTRO-MECHANICAL, BIO MEDICAL & MARINE ENGINEERING

This segment is possibly our widest, including 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 and medical equipment.



Electro Mechanical, Bio Medical & Marine Engineering

■ Turnover □ Results



Group Results vs Electro Mechanical, Bio Medical & Marine Engineering Results

■ Group Results □ Results

Adding value through Electro-Mechanical, Bio-Medical and Marine Solutions

This is a segment that has seen a rapid expansion in the recent years in scope and in size. The Electro - Mechanical Engineering business includes many building services such as fire detection and protection systems, building technologies, security and electrical engineering solutions and services including transmission and distribution. This is an area where total solutions are offered to the customer upon understanding their requirement. The Bio Medical Engineering business deals with state of the art equipment in diagnosis, therapy, ophthalmology and critical care. Therefore, our solution extends to designing, supplying, commissioning and after service of the solution proposed. The Marine solutions business is mainly engaged in areas related to repair of ships and marine craft. Solution mapping, engineering and after service are critical activities in the supply chain of this segment.

The Bio-Medical Engineering business was the top performer of this segment. State of the art diagnostic equipment such as high- end MRI and CT scanners were installed and commissioned by the engineers of the DIMO tribe. During the year under review, the first tomotherapy unit in Sri Lanka was imported and supplied by DIMO. The building technologies business was active in the private sector and public sector projects and made a significant contribution to the segment result. The Power Engineering business too made its contribution to the development of the power sector, whilst creating value for DIMO.

Outlook

Sri Lanka is in a phase of the economy where spending in construction industry, power generation and transmission and healthcare is rapidly increasing. This significantly enhances the prospects of this segment. We also note the encouragingly consistent growth recorded in this segment. This is a key area that is expected to be developed in the short and medium term in our endeavour to reduce dependence on the auto related segments. The budgets indicate a further improved performance in 2014/15.

Electro Mechanical , Bio Medical and Marine Engineering	2013/14	2012/13
Segment Turnover (Rs. mn)	1,630	1,165
% Contribution to the Group Turnover	8%	4%
Segment Result (Rs. mn)	245	186
% Contribution to the Group Segment Result	14%	11%
Capital employed	1,494	1,034
Weighted average customer satisfaction index	88%	88%

Principals represented



Sustainability Performance Objectives in 2013/14

Aspect	Term	Objective	Achievement			Remarks
			2013-14 (Annualised)	2012/13	2011/12	
Monetised Capital	Long/Short	ROE to be more than Annual AWDR+3%	Not achieved	Not achieved	Achieved	The AWDR+3% as at year end was 11.45% The ROE for the period was 3.29%. The ROE for 2012/13 was 6.1%
Customer	Long	To ensure continuity of a customer-centric Quality Management system with suitable accreditation	Achieved	Achieved	Achieved	A quality management system accredited with ISO 9001:2008 is in place
	Short	Number of training hours for sales personnel to increase by 10% from previous year	Not achieved	Achieved	Achieved	The number of training hours of sales personnel was 25% less than the previous year
	Short	To achieve a Weighted Average Customer Satisfaction Index score of more than 85%	Achieved	Achieved	Achieved	During the year under review the Weighted Average Customer Satisfaction Index score was 89%. In 2012/13 this was 85.2%
	Short	Each branch to have a customer interaction event each quarter	Achieved	Achieved	Not Applicable	Each branch achieved the required number of customer events
Employee	Short	To achieve an employee satisfaction index score of more than 60%	Achieved	Not achieved	Achieved	In the current year the employee satisfaction index score has increased to 61.10% from 53.46 in 2012-13
	Short	Average training hours per employee per year to be more than 10 hours	Achieved	Achieved	Achieved	Average Training hours per employee was 13.10 hours in 2013/14. The corresponding figure for 2012/13 was 16.00 Hours
	Long	To maintain an the ratio of female to male employees, excluding workshops and field sales of more than 15%	Achieved	Achieved	Not achieved	The ratio was 20% in 2013/14 and 2012-13
Business Partner	Short	To carry out a performance evaluation of twenty foreign Principals at least once a year	Achieved	Achieved	Achieved	The Annual Principal performance evaluation process made this possible
	Short	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	Declarations from 74% of the current major local suppliers have been obtained
Society	Short	Invest at least .05% of turnover on community development activities	Achieved	Achieved	Achieved	In 2013/14 Dimo has invested 0.20% of the turnover on community development activities. In 2012/13 this was 0.19%. During the year under review expenditure on community development activities was Rs. 43.8 mn (Rs. 50.8 mn in 2012/13)

Aspect	Term	Objective	Achievement			Remarks
			2013-14 (Annualised)	2012/13	2011/12	
Society	Long/ Short	To provide vocational training for trainees numbering more than 5% of the number of employees	Achieved	Achieved	Achieved	The number of vocational trainees who registered for training in 2013/14 was 16.78% of the average number of employees for the year. This was 10.76% in 2012/13
	Short	100% compliance with Laws and Government regulations	Achieved	Achieved	Achieved	The Company's Code of Business Ethics require compliance with laws and regulation at all times. No non-compliances were reported during the year
Environment	Long	To re-cycle and re-use at least 20% of the ground water used	Achieved	Achieved	Not Achieved	We were able to achieve 24% in 2013/14 due to expansion of the water recycling capacity. The corresponding figure for 2012/13 was 21%
	Short	Waste segregated and handed over to selected third parties for recycling/ reuse to be more than 90% of total solid waste	Achieved	Achieved	Achieved	In 2013/14 the Company renewed the waste collection agreements with 3rd parties who were approved by the Central Environmental Authority. These parties were capable of providing a total solution for waste management
	Short	Carbon Foot Print for every Rs. 1.0 mn of turnover to reduce by 5%	Not Achieved	Not Achieved	Not Achieved	Carbon footprint for every Rs. one million mn of turnover in 2013/14 was 0.2773 tCO ₂ e. The corresponding figure for 2012/13 was 0.2218 tCO ₂ e. However, the total carbon footprint reduced from 6,242 tCO ₂ to 5,768 tCO ₂
Value creation	Long	Reduce dependence on vehicle business by increasing the turnover & segment result of Non-vehicle business at least by 15% per annum	Partially achieved	Partially achieved	Not achieved	Non-vehicle segment turnover increased by 25% and segment result increased by 234% in 2013/14 compared
	Long/ Short	EVA To be positive	Not achieved	Not achieved	Achieved	EVA created during 2013/14 was a negative value of Rs.536 mn and in 2012/13 it was a negative value of Rs.547 mn
	Long/ Short	Value Added to increase every year at a rate more than the rate of inflation +5%	Not achieved	Not achieved	Achieved	The Value Added has increased by 6 % in 2013/14 over the previous year, Which did not meet the objective of 11.9%